

Stock No : 5425



TAIWAN SEMICONDUCTOR CO., LTD

# ANNUAL REPORT 2022

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Annual Report Information Can Be Accessed from the Following Websites::

<http://mops.twse.com.tw>

<http://www.ts.com.tw>

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**5. The name of the trading place where overseas securities are listed for trading and the method of inquiring about the overseas securities information: not applicable**

**6. Company website: <http://www.ts.com.tw>**

**7. For some information about the barcode printer department (TSC Auto ID Technology stock code: 3611), refer to the company's annual report.**

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## 1. Letter to Shareholders

Dear shareholders,

First of all, I would like to thank all shareholders for their continuing support and encouragement to the Group. Looking back on 2022, the global semiconductor industry continued its growth momentum from 2021. China pandemic lockdown, Russia-Ukraine war, unfavorable macro economic environment, these adverse factors resulted demand frozen for electronic products. Along with pressure of inventory de-stocking, the overall performance was lower-than-expected. Contributed to rapid 5G development worldwide, and the recovery of the automotive market, the company's total consolidated revenue in 2022 reported \$15,687,134 thousand, an increase of \$2,509,717 thousand or 19.05% from \$13,177,417 thousand in 2021. The net profit for the period attributable to the parent company owners was \$1,562,887 thousand, an increase of \$680,082 thousand or 77.04% from \$882,805 thousand in 2021. In 2022, the basic after-tax earnings per share were NT\$6.28, which is an increase of 76.90% from NT\$3.55 in 2021.

In the past few years, the company has actively continued to deploy in automotive electronics, industrial controls, servers and analog IC, and the overall synergy has gradually emerged. In addition to continuing to expand its market share and enhancing its competitive advantage with its brand marketing, the subsidiary company (TSC Auto ID Technology) has optimized after-sales Managed services, improved customer service quality, continued to provide comprehensive one-stop full-stack services, and create opportunities for win-win growth. In the future, the Taiwan Semi Group will continue to enhance its competitiveness, continuously increase product value, strengthen integration benefits, and accelerate research and development to create the most significant synergy effect for the entire group.

All shareholders have given long-term support and encouragement to the company and took time to participate in their busy schedules. I sincerely express my gratitude. Looking forward to the future, the Taiwan Semiconductor Group will be committed to operating the core value of the company with continuous technological innovation, and high-level research and development. With a complete layout of capabilities, upstream and downstream, it will be able to stand out in the global market, continue to shine, and create better profits to share with you. I hope that all shareholders will continue to support and encourage the Taiwan Semi-Group.

I wish you all good health and all the best.

Chairman Wang Shiu Ting



## 1. 2022 Business Report

### (1) Implementation of Business Plan

The Company's and its subsidiaries major businesses included the production and sale of rectifiers and barcode printers. In 2022, the earnings per share after tax was NT\$6.28. The 2022 consolidated operating revenue, gross profit, operating income, net income before tax, net income, comprehensive income, and after-tax earnings per share compared to 2021 is presented below:

Unit: NT\$ thousand

| Item  | Implementation of Business Plan |            |                     |
|---|---------------------------------|------------|---------------------|
|   | 2022                            | 2021       | Increase (decrease) |
| Operating revenue                                       | 15,687,134                      | 13,177,417 | 19.05%              |
| Gross Profit  | 5,349,166                       | 4,127,721  | 29.59%              |
| Operating Income  | 2,790,521                       | 1,908,907  | 46.18%              |
| Net income before tax                                   | 3,013,930                       | 1,947,632  | 54.75%              |
| Net income  | 2,176,915                       | 1,381,895  | 57.53%              |
| Comprehensive income                                    | 2,478,073                       | 1,269,814  | 95.15%              |
| Net income attributable to the Parent Company           | 1,562,887                       | 882,805    | 77.04%              |
| Comprehensive income attributable to the Parent Company | 1,738,755                       | 809,542    | 114.79%             |
| After-tax earnings per share                            | \$6.28                          | \$3.55     | 76.90%              |

(2) Budget Implementation: The Company did not disclose its financial forecasts of the year of 2022, so it is not necessary to publicly disclose the implementation of the budget.

### (3) Financial Status and Profitability

Unit: NT\$ thousand

| Item             | Annual revenue and expenditure |        |                     |
|------------------|--------------------------------|--------|---------------------|
|                  | 2022                           | 2021   | Increase (decrease) |
| Interest Revenue | 19,892                         | 14,541 | 36.80%              |
| Interest Expense | 38,330                         | 30,911 | 24.00%              |

| Item                |   | 2022   | 2021   |
|---------------------|---|--------|--------|
| Financial Structure | Total debt to assets (%)                                      | 41.12  | 42.28  |
|                     | Long-term asset to real estate, plant and equipment ratio (%) | 286.97 | 259.53 |
| Liquidity Analysis  | Current ratio (%)   | 206.86 | 206.04 |
|                     | Quick ratio (%)   | 136.76 | 145.12 |
| Profitability       | Return on assets (%)  | 12.89  | 9.19   |
|                     | Return on equity (%)  | 21.82  | 16.19  |
|                     | Profit ratio (%)  | 13.88  | 10.49  |
|                     | After-tax earnings per share (NT\$)                           | 6.28   | 3.55   |

#### (4) Research and Development

##### (A) Rectifier

To increase our overall competitiveness and gross margin, the Company invests a great deal of manpower and budget every year in collecting market information, analyzing market demand, and setting the direction and strategy for new product development. As most of the mainstream products in the market today are becoming thin and light, our products are also actively developing toward small, energy-saving, and comprehensive in order to develop new markets. We have developed and increased market penetration in personal handheld products, automotive electronics, industrial control industry and white goods market.

In recent years, with self-developed chip technology and the advantage of automated packaging, we have continued to develop Schottky rectifier, MOSFET, ESD protection, automotive LED driver, automotive low dropout voltage regulator and other products.

The development of the new generation of trench Schottky rectifier, Super Junction MOSFET, and Split Gate Technology MOSFET that can effectively reduce conduction loss and switching loss to meet market trends and needs for environmental protection, energy-saving, and low power consumption. These new technologies will be developed in a full range to facilitate the promotion of active and passive safety applications for automotive electronics, industrial, communications, and energy industries.

Fully automated die bonding technology and fully automated high-speed packaging, testing and printing technology have been fully introduced, which is conducive to enhancing product reliability and significantly increasing output and reducing costs to expand market share and enhance profitability. Packaging technology has developed higher current density surface mount power device components, which surpasses the European, American and Japanese top tier manufacturers.

The development of ESD protection has been focused on multi-channel, ultra-low junction capacitance and miniature packaging. Corresponding to the application of various high-frequency transmission ports in the market, such as ESD protections on USB3.1, USB3.0, USB2.0, HDMI2.0 ports.

The Company has put a full range of LED lighting product lines into mass production, which can be applied to various solutions including isolation, non-isolation and dimming features. The dimming series covers existing dimming methods such as linear dimming, PWM dimming, etc., as well as various integrated high-voltage MOSFET solutions, which have reached maturity and have been adopted by international manufacturers, and which has continued to grow steadily. Facing a low-price, competitive market in China, the company actively seeks products with higher quality and gross profit. The Company also cooperates with customers to develop customized products, particularly focusing on automotive products as it has been the main R&D project in recent years, including the automotive LED Driver ICs, which can cover all kinds of voltage and applications of automotive lighting, such as headlamps, tail lamps, fog lamps, daytime running lamps and so on. Various low power consumption and high output current automotive low-dropout and low power consumption regulator ICs are also being developed, which can be used to supply 3.3V and 5V voltage regulators to automotive MCUs, and some of them have been developed independently. The Company has invested more manpower and equipment costs in the verification of vehicle regulations and is now gradually passing the qualification of AEC-Q100 standard. We hope to gain the recognition of automotive customers with high quality and service.

##### (B) Barcode printer

With the increase in applications of automatic recognition in the global market, the Company spent NT\$229,823 thousand on research and development in 2022, accounting for 3% of the annual operating income. With continue to invest in developing network applications and network security, as well as cloud-based hardware and software applications to expand the market coverage in addition to developing new generation products and applications in new areas, which focus on automated data collection, product mobility, RFID

applications, on-line barcode detection, and no-paper environmental label applications. The Company will continue investing capital expenditures on labeling paper equipment to strengthen competitiveness and ensure sustainable growth.

## 2. 2023 Business Plan

### (1) Business Policy

#### (A) Rectifier

- (1) Continue to create global marketing channels to increase global market share
- (2) Strengthen the professional marketing team both domestically and internationally. Providing technical and comprehensive services to customers and improve our brand image
- (3) Continue to expand our R&D team to create and maintain leading technology and rapidly develop next-generation products
- (4) Continue to develop and implement the most advanced production equipment to increase profitability by increasing productivity and reducing costs
- (5) Actively develop new packaging technologies and higher current density surface mount power device packages to meet market demand
- (6) Seek cooperation with world known companies
- (7) Continue to develop small signal products for automotive applications and offer a comprehensive product line for automotive electronics
- (8) Actively promote automotive analog ICs, SOI MOSFET, LED driver ICs, and high power density products to enhance product value and profitability with integrated solution sales and win customers' trust and reliance.
- (9) Continue the development and production of upstream wafer products to integrate upstream and downstream supply, and ensure stable supply of key raw materials and absolute cost advantage
- (10) Develop new products with big international companies to create high profitability with oligopoly supply chain

#### (B) Barcode printer

The Company consolidated existing fields by launching new products, continuing to develop customized complete software and hardware solutions, expanding the marketing channels for low, medium, and high-end product lines, intensifying the branding in the worldwide operation, increasing the use of automatic identification systems by customers for providing customers with much more completed application service network and create diversification values. Meanwhile, the Company creates new trends with a focus on planning upstream and downstream strategic investments.

### (2) Important Production and Marketing Policies

#### (A) Rectifier

The Company's industry is a semi-conductor industry. The Company's current production and sales policy is a combination of build to stock and make-to-order production. In this regard, the annual production and sales policy is formulated based on overall industrial market development, market supply and demand, the Company's established capacity and inventory level. Depending on the actual order status, it can be adjusted at any time to maintain the optimal inventory level.

#### (B) Bar Code printer

The main strategies for future production and marketing are as following:

1. Ensuring the stability of supply and quality from the significant suppliers and maintaining appropriate inventory levels and turnover rates
2. Strengthen the education and training of regional distributors for enhancing sales
3. Continuing to develop the emerging markets and developed markets

### (3) Operation Goals

#### (A) Rectifier

The Company's main products are rectifier diodes and analog ICs. Taking into account the competition and market conditions, the sales projection for 2023 is as follows:

| Products              | 2022 sales projection | 2021 actual sales |
|-----------------------|-----------------------|-------------------|
| Rectifier Diode       | 5,596,986(kpcs)       | 4,443,018(kpcs)   |
| Small signal products | 1,797,234(kpcs)       | 1,867,206(kpcs)   |
| MOSFET                | 305,924 (kpcs)        | 287,774(kpcs)     |
| Analog IC             | 136,912(kpcs)         | 130,243(kpcs)     |

Technical Marketing comprehensive promotion with a total solution for different industries. Because of the increasing popularity of hybrid electric vehicles and electric vehicles in the automotive electronics market, the market demand for power devices has increased dramatically. The high power AC-DC converter, low loss MOSFET (FET), low loss voltage regulator, surge absorber (TVS), electrostatic protection, fast recovery diode, and transistor continue selling to European, American, and Japanese companies, on the other hand, the Company also developed the rapidly growing Chinese and Indian automotive electronics companies. Due to the regulation amendment in vehicle lighting, it is necessary to install daylighting. Also, due to energy-saving and new lighting product trends, LED lighting is rapidly emerging in automotive applications, and the capacity is growing to multiply many times. The company also provides overall solutions actively in the vehicle lighting market, and introduces them to European, American, and Japanese automotive electronics manufacturers.

In addition to the existing products of high power Bridge Rectifier and high power rectifier for automobile and locomotive charging systems, the new product high power MOS is adopted as an automotive electronics certification manufacturer, which shortens the certification time.

In the LED lighting industry, the new products LED module and LED driver, which contains simplified constant current rectifying function design, with a full range of solutions including surface mount Bridge rectifier, Schottky, MOSFET, Small-signal products, promote the high demanded Ball steep light and striplight to the American and European lighting companies. In addition to small lighting products, the new products also develop the AC-DC LED applications and are imported into American and Japanese manufacturers.

The industrial application market is dominated by foreign investors, especially the renewable energy industry (solar systems and power converters) has the characteristics of low substitution and high gross margin, which is difficult for the local and Chinese manufacturers to introduce. The Company has a long-term experience of high quality control and performance in the automobile electronics industry and the fast globalized local design service. In addition to the existing products, new products like fast recovery rectifier, low loss high junction temperature Trench Schottky, and low loss high power MOSFET are being promoted all-inclusively.

In recent years, the considerable business opportunities in automobile electronics, detecting instruments, industrial control, and major appliances markets attract more and more foreign manufacturers to enter. The Company will develop the different specifications of Hall effect IC and flux collector, which are used in automobiles, industry, major appliances, and the consumer market. In these markets, these ICs are used in different kinds of measurement of position and angle. Take automobile electronics electoral power steering system as an example, linearity and angle Hall effect IC collector can measure the angle, running torque, and an engine speed of the steering wheel.

To consolidate the existing product lines and promote the consumer electronics industry, like TV, PC/Tablet, STB, Home appliance, Gaming, GPS, the Company continues to increase the amount of shipment like Bridge rectifier, MOS, Schottky, Zener diode, switching diode, different types of the voltage regulator, high recovery rectifier etc.

The TVs combine with internet and video function, high frequency, and multiple connecting ports. To protect ICs, the electrostatic protection component and wave filtering component are more needed. The development of new series of electrostatic protection products includes multiple output Array and combine with EMI Filter. Under the need of Eco-Friendly, all end products are pursuing high efficiency and low loss. The new products develop low-impedance MOS, low loss voltage regulator, low loss bridge rectifier, Ultra-low capacitance electrostatic protection component, etc.

Machine to Machine, because of the need for revolutionary applications due to the rise of the Internet of Things and the 5G communication smart city, the Ultra-low loss SOI MOSFET and low power trench Schottky, high power low voltage small patch TVS are being promoted.

(B) Bar Code Printer

The major income source is the sales, service, and sales of label paper of the automatic recognition printer. Since the introduction of the COVID-19 Vaccine in 2021, the global economy continues to recover, the need for industries like manufacture, transport, logistics, e-commerce, retailing, and financial, etc. increases rapidly. The estimated sale amount in 2023 as follow.

Unit: Thousand

| Products                         | 2023 sales projection | 2022 actual sales |
|----------------------------------|-----------------------|-------------------|
| Automatic identification printer | 800                   | 700               |

On this basis, the focus of future production and marketing policies are as follows:

1. to ensure a stable source and quality of supply from key suppliers and to maintain an appropriate level of inventory and turnover.
2. to continue to expand the scale of the global operations and strengthen the core competitiveness in terms of fundamentals.
3. to provide comprehensive quality services to build sustainable business strength.

3. Future Development Strategies and Influence from External Competition, Regulations and Macro-operating Environment

(1) Future Development Strategies

(A) Rectifier: Continuing to innovate technology, accelerate research and development, increase product value, complete upstream and downstream deployment and investment opportunities in China to strengthen integration benefits.

(B) Bar Code printer: The Company is not only continuing to expand market share and enhance, but it is also enhancing the after-sales services and improving the quality of customer services, concerning the applications related to developing trending of economy, expanding the smart application software, providing add-in value to customers for creating win-win opportunity.

(2) Influence from External Competition

(A) Rectifier

The subsidy policy of local governments gives China's semiconductor manufacturers the advantage of competing at a low price, which has a certain impact on the low-end application market. The company is still focusing on the development of higher specification products, from wider penetration of consumer electronics, automotive electronics, industrial control to medical and communication equipment. We expect to achieve a balanced development of low, medium and high application markets and to occupy more areas with higher entry barriers to maintain a larger gap with competitors and improve profitability. Currently, the Company's new technology development and existing high-end products are comparable to or even surpassing the world's first-class

manufacturers, and we expect to develop more innovative and revolutionary products to surpass our world-class competitors and make outstanding contributions to environmental protection, energy savings and carbon reduction.

(B) Bar Code printer

As the application of automatic identification becomes more usual and popular, the demand for automatic identification printing increases. Facing external competition, the Company continues to develop innovative technologies, strengthens the integration resource and core competencies of interdisciplinary development and expands the cooperation and connection of markets. Moreover, when the company faces external competition, it keeps positive with the goal of profitability and stable growth.

(3) Influence from Regulations

(A) Rectifier

For adapting EU RoHS regulation, the Company provides all series of non-halogen products, which are popular among the consumer companies from Europe, America, Japan, and Korea. EISA2007 (Energy VI Efficiency) that demands higher standby power consumption and power conversion efficiency of the electric products, has been executed since 2016. For power devices, the wastage of electric property of rectifier and MOSFET should be lower and a smaller packaging should be used. Major appliances are affected the most. To cope with the legal requirement, they must be switched to variable frequency voltage source due to the large consumption of motor and compressor. The starter motor requires a higher voltage and soft switching ability for the power components. The power components in major appliances with DC frequency conversion have to concur with EMI factors, therefore it is difficult for other low-cost appeal companies to compare the excellent research and development ability of TAIWAN SEMICONDUCTOR Co., LTD. Additionally, due to the promoted policy of renewable energy, the need for solar energy and renewable energy source is highly requested by not only developed countries like North America, Japan, and Europe but also other emerging markets. Our new products with low consumption of high junction temperature Schottky can combine with solar module and power converter when used.

With the improvement of the battery technic in electric vehicles, the charging specification has changed from AC to DC 600V direct charging. The power system of vehicles will also change from a 12V 24V system to a 48V system. For this changing power system, the design pool of the original suppliers needs to be replaced with a new specification. It is a good design point for our new products high-voltage fast recovery diode, ultra-low power consumption rectifier, and trench Schottky.

(B) Bar Code Printer

There haven't been significant influences for the Company that attributes to the important policy and law changes domestic and foreign in recent years.

(4) Influence from Macro-operating Environment

(A) Rectifier

Global Service-Customer management system and regional industrial development expand the global division of labor without borders. The Company uses customer management to respond to the rapidly changing electronics industry. Products from big companies around the world are locally original designed, then be delivered and produced in various places. Through "Account management", OEM and IPO can achieve a perfect order service.

Regional industrial development helps to balance and to strengthen the product structure. North American market focuses on automobiles, industry, telecommunication, and illumination. Japanese market focus on automobiles and industry. The European market focuses on automotive electronics, industry, renewable energy sources, and illumination. Chinese market focuses on consumer electronics, automobiles, and industry. The domestic demand market of emerging markets like India, South Asia, Russia, and South America expands due to the rapid growth of the middle class. Basic telecommunication, cable lighting construction, Home appliance, and Telecom, etc. are the industries that have been introduced into.

In the rapidly changing economy, the global configuration strategy of the Company has shown its efficiency and vision regarding OEM without frontiers and spreading the risk of the differences between strong and weak regional economics.

(B) Bar Code Printer

The Company complies with regulations updated.

In the future, with the growing stability and the expansion of the applied field of rectifier and bar code printer markets, the Company and each subsidiary company will uphold our innovative, professional, and dedicated corporate philosophy. Also, keep strengthening the research and development and salability, improve our performance, and company profits, in order to share the profits with the stockholders, clients, and employees.

Chairman: Wang Shiu Ting



President: Wang Shiu Ting



CFO: Adam Cheng



## 2. Company Profile

### 1. Date of Incorporation

January 18, 1979

### 2. Company History:

- January, 1979 The company, established and located in Tucheng Township, Taipei County, mainly produced rectifiers, with an actual capital of NT\$1 million when it was founded.
- May, 1980 Finished factory expansion, purchased additional equipment, seasoned equity offering was made to NT\$12,000,000.
- June, 1984 Seasoned equity offering was made to NT\$30 million, introduced automated production equipment.
- December, 1987 To meet the needs of the growth of operations scale, chose purchasing land in Yilan for company to prepare for factory construction, seasoned equity offering was made to NT\$60 million.
- October, 1988 Completed Yilan plant construction and officially opened, with an annual production capacity of 800 million rectifiers.
- November, 1989 Seasoned equity offering was made to NT\$105 million, fully implement automated production to improve product quality and production capacity with automated equipment.
- September, 1990 Seasoned equity offering was made to NT\$154 million. Introduced the Tokyo Weld fully automatic machine to join the production ranks, and became the first manufacturer to use this equipment in China. TVS, DIP Bridge and Auto Rectifiers were developed and mass production started.  
Purchased a new office of the Far East Global Industrial Headquarter in Baoqiao Road, Xindian City, and relocated the head office here.
- January, 1991 Reinvested in the American Eltron company and established the business machine division to jointly develop and produce thermal bar code printers
- August, 1991 Developed the thermal barcode printers LP-2022 and LP-2042 and mass produced them and became the first domestic manufacturer to manufacture this product. Seasoned equity offering was made to NT\$177,100,000.
- August, 1992 Seasoned equity offering was made to NT\$194,810,000.
- February, 1993 Developed thermal barcode printers LP-2122 and LP-2142.
- June, 1994 Developed and completed thermal transfer barcode printer TLP-2044.
- August, 1994 Introduced ISO 9002 quality system standard.
- December, 1994 Public issue approved by Securities and Futures Bureau, with a capital of NT\$100 million and NT\$194,810,000.
- April, 1995 Obtained DNV certification for the rectifier products of Yilan Factory and passed ISO 9002 quality system standard.
- April, 1995 Established Yangxin Everwell to manufacture rectifiers in Shandong Province, China.
- June, 1995 Seasoned equity offering was made to NT\$243,582,280.
- September, 1995 Developed and completed the process of surface mount rectifier.
- December, 1995 Developed and completed the first domestic thermal barcode printers LP-522 and LP-542.
- June, 1996 Set up the rectifier chip diffusion process and the key raw material required for the production of rectifier products such as silicon wafers.
- July, 1996 In order to effectively reduce production costs through upstream vertical integration, seasoned equity offering was made to NT\$372,330,400.
- August, 1996 Reinvested in overseas subsidiaries Ever Winner and TSC America Inc., and established Tianjin Everwell in the Tianjin Economic and Technological Development Zone in

Mainland China.

- October, 1996 Developed and completed the first domestic thermal transfer barcode printer TTP-242 CLEVER, and thermal barcode printers TDP-522 and TDP-542.
- October, 1996 Introduced for Tianjin plant, the Sillner automatic SMD production equipment from Germany, Alphasem automatic wafer bonding equipment from Switzerland, and TO-220 & TO-3P automatic consistent machines; introduced for Shandong plant, a series of automatic bridge rectifier production equipment.
- January, 1997 To expand the operations scale of the Office of Business Machines, established the Xizhi Office for business, research and development, management, and trial production of the Office of Business Machines.
- February, 1997 Developed TO-220 and TO-3P series products such as Schottky, Super Fast, High Efficiency, along with Super Diode GP-10 & RGP-10 series products.
- March, 1997 Obtained DNV certification for the rectifier products of the Tianjin plant and passed the ISO 9002 quality system standard.
- May, 1997 Obtained DNV certification for the bar code printer products of Yilan Factory and passed ISO 9002 quality system.
- September, 1997 Capital increase to NTD 560 million.
- March, 1998 Jointly developed the first color sublimation video printer with the Optoelectronics Institute of Industrial Technology Research Institute.
- April, 1998 Obtained KEMA certification for the rectifier product and chip diffusion system of the Tianjin plant and passed the QS-9000 quality system standard.
- October, 1998 Capital increase to NT\$680,984,000.
- November, 1998 Obtained DNV certification for the rectifier and bar code printer products of Yilan Factory and passed the ISO-14001 environmental management system standard.
- February, 1998 Capital increase to NT\$ 830,984,000.
- April, 1999 YANGXIN EVERWELL factory's rectifier products obtained CQC certification and passed ISO-9002 quality system standard °
- November, 1999 Capital increase to NT\$1,002,244,800.
- December, 1999 Developed the first 300dpi high-resolution barcode printers of TTP-342 and TTP-342M.
- December, 1999 On December 18<sup>th</sup>, the Securities and Futures Commission approved the application for listing on the OTC.
- February, 2000 Officially listed on the OTC at NTD 22 per share on 21st February.
- August, 2000 Capital increase to NT\$1,157,196,520.
- June, 2001 Issued NT\$0.4 billion domestic convertible corporate bonds to meet the capital needs for the expansion of the Schottky wafer factory in Yilan.
- June, 2001 Obtained CAQC certification for the rectifier chip diffusion of the Tianjin plant and passed the QS-9000 quality system standard.
- August, 2001 Capital increase to NT\$1,280,643,930.
- August, 2001 Reinvested in SYNERGY WORLD GROUP LTD, and navigated towards diversified business management.
- November, 2001 Established the Korean branch office of Taiwan Semiconductor Co. Ltd.
- January, 2002 Converted company bonds to common stock of NT\$1,416,035,740.
- March, 2002 Obtained CAQC certification for Yangxin Everwell Factory's rectifier products and passed QS-9000 quality system standards.
- March, 2002 Corporate bonds were converted to common stocks of NT\$1,547,504,930.

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|-----------------|--|
| April, 2002     | Reinvested in the German subsidiary Taiwan Semiconductor Europe GmbH.  |
| May, 2002       | Obtained DNV certification for the bar code printer products of Yilan Factory and passed the ISO 9001 quality system.  |
| May, 2002       | Established Schottky wafer factory in Yilan factory.   |
| October, 2002   | Converted corporate bonds into common stocks, and enhanced capital surplus to NT\$1,769,167,440.   |
| October, 2002   | To meet the needs of growth of operation scale, purchased land and buildings for a total of NT\$150,872,000 on 11th floor, No. 205, Section 3, Beixin Road, Xindian City.                  |
| November, 2002  | Converted corporate bonds into common stocks of NT\$1,769,267,440.   |
| November, 2002  | Developed high-performance industrial barcode printers such as TTP-246M and TTP-344M.  |
| January, 2003   | Moved to the office building of the Operation Headquarters (11th Floor, No. 205, Section 3, Beixin Road, Xindian City), and relocated the head office here.                                |
| April, 2003     | Reinvested in a Japanese subsidiary of Taiwan Semiconductor Japan., LTD.   |
| May, 2003       | Obtained DNV certification for the Schottky wafer factory in Yilan and passed the ISO 9001 quality system.   |
| September, 2003 | Converted surplus, employee dividends to capital increase, and corporate bonds to common stocks of NT\$1,874,060,190.  |
| September, 2003 | Obtained China Great Wall certification for the rectifier products of Shandong Yangxin Everwell Factory and passed the ISO 14001 environmental management system standard.                 |
| October, 2003   | Converted corporate bonds into common stock of NT\$1,881,160,190.  |
| November, 2003  | Obtained China Great Wall certification for the rectifier, chip, and bar code machine products of Tianjin Everwell Factory, and passed ISO 14001 and OHSAS 18000 quality system standards. |
| November, 2003  | . Developed the third-generation desktop high-speed barcode printers TTP-245 and TDP-245.  |
| May, 2004       | Obtained DNV certification for the rectifier, Schottky chip and bar code printer products of Yilan Factory and passed the ISO-14001 environmental management system standard.              |
| October, 2004   | Converted surplus and capital reduction of employee dividends into common stocks of NT\$1,960,458,360.   |
| November, 2004  | Obtained TUV certification for Yangxin Everwell Factory's rectifier products and passed ISO/TS 16949 quality system standard.  |
| January, 2005   | Reinvested in a Hong Kong subsidiary -- Taiwan Semiconductor (H.K.) Co., LTD.  |
| April, 2005     | The Investment Commission, Ministry of Economic Affairs approved the capital reduction of treasury stocks to common stocks of NT\$1,877,758,360.   |
| May, 2005       | Obtained DNV certification for the Schottky wafer factory in Yilan and passed ISO14000 quality standard.   |
| December, 2005  | Taiwan Semiconductor (H.K.) Co., LTD., invested HK\$1 million to establish Taiwan Semiconductor (Shenzhen) Co., Ltd.   |
| January, 2006   | Established Lize Factory to engage in the production of barcode printers.  |
| April, 2006     | Sold the Far East Global Industrial Headquarters Office in Baoqiao Road, Xindian City.   |
| May, 2006       | Converted the employee stock options into common stocks of NT\$1,878,913,360.  |
| July, 2006      | Converted the employee stock options into common stocks of NT\$1,879,243,360.  |

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| October, 2006  | Converted employee stock options into NT\$1,879,738,360.   |
| October, 2006  | Issued domestic convertible corporate bonds of NT\$0.8 billion to support the funding needs of construction of Yilan Schottky Fab 2 and second-phase expansion of Lize Business Machine Factory.             |
| October, 2006  | Established Yilan branch in No. 35, Section 2, Ligong 1st Road, Wujie Township, Yilan County.  |
| January, 2007  | Employee stock options and domestic convertible corporate bonds are converted into common stocks of NT\$1,937,309,500.   |
| March, 2007    | Reinvested NT\$1 million and established TSC Auto ID Technology Co., Ltd.  |
| March, 2007    | The board of directors resolved to pass the plan of establishing a strategic alliance with a famous international manufacturer in Japan of Nihon Electronics Corporation.                                    |
| March, 2007    | The board of directors approved the plan to split the barcode printer business in August 1996 to inherit Taiwan Semiconductor Co., Ltd. Focused on the development of the core business of rectifier diodes. |
| April, 2007    | Reinvested EUR 100,000 and established a subsidiary company -- TSC PRINTER EUROPE GMBH.  |
| April, 2007    | A subsidiary of the company -- Ever Winner Int'l Co., Ltd. (BVI) invested US\$ 135,000 to establish Shanghai Great.  |
| April, 2007    | Employee stock options and domestic convertible bonds were converted into common stocks of NT\$2,253,292,860.  |
| May, 2007      | From the second quarter of 2007, the board directors resolved to change financial, accounting firm of tax audit.   |
| July, 2007     | Corporate authorized capital is increased to NT\$36 billion, employee stock options and domestic convertible bonds are converted into common stocks of NT\$2,315,162,470.                                    |
| August, 2007   | From 1st Aug 2007, the board of directors resolved to split and transfer barcode printer division to TSC Auto ID Technology Co., Ltd.  |
| August, 2007   | Sold to TSC Auto ID Technology Co., the buildings of location No. 193 and 194 of Ligong Section, Wujie Township, Yilan County., Ltd., located in Lize Industrial Zone, Yilan County.                         |
| August, 2007   | The board of directors resolved to sell the company's reinvested subsidiary → TSC PRINTER EUROPE GMBH to TSC Auto ID Technology Co., Ltd.  |
| October, 2007  | Converted employee stock options, domestic convertible bonds into NT\$2,336,653,070.   |
| December, 2007 | Relocated the location of the Yilan branch to No.31, section 2, Ligong 1st Road, Chengxing Village, Wujie Township, Yilan County.  |
| December, 2007 | Capital increase to NT\$2,468,653,070.   |
| December, 2007 | Capital increase to USD 111,370.50 for APPLIED NANOTECHNOLOGIES INC. USD.  |
| January, 2008  | Converted employee stock options, domestic convertible bonds into common stocks of NT\$2,473,058,960.  |
| March, 2008    | Reinvested in the US Advanced EPI Technology Corporation (AET for short) 100% equity, the total investment amount is US\$5 million.  |
| April, 2008    | Converted employee stock options into common stocks of NT\$2,473,738,960.  |
| April, 2008    | Capital increase to EUR 100,000 for the subsidiary-- Taiwan Semiconductor Europe GmbH. The total capital was EUR 300,000.  |
| July, 2008     | Converted employee stock options into common stocks of NT\$2,481,578,960.  |
| October, 2008  | Converted employee stock options into common stocks of NT\$2,481,918,960.  |
| January, 2009  | Obtained TUV certification for the Yilan Lize Factory and passed the ISO/TS 16949 quality management system standard.  |

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| January, 2009   | Obtained TUV certification for the Yilan Lize Factory and passed the ISO 9001 quality management system standard.  |
| March, 2009     | The Investment Commission, Ministry of Economic Affairs approved the capital reduction of treasury shares to common stocks of NT\$2,439,668,960.   |
| March, 2009     | . The board of directors resolved to change the company's business address to → "8th Floor, No. 563, Section 4, Zhongxiao East Road, Xinyi District, Taipei City". Originally → "11th Floor, No. 205, Section 3, Beixin Road, Xindian City, Taipei County" was set up as the Xindian office.   |
| April, 2009     | The Investment Commission, Ministry of Economic Affairs approved the relocation to "8th Floor, No. 563, Section 4, Zhongxiao East Road, Xinyi District, Taipei City".  |
| September, 2009 | The share capital of USD 8 million is for an investment business in the Administrative Zone 3 for Hong Kong's Taiwan Semiconductor (H.K.) Co., Ltd. Increased capital in the Mainland China investment business of Yangxin Everwell Electronics Co., Ltd.  |
| November, 2009  | According to the provisions of Corporate Mergers and Acquisitions Law and the Company Act, executed appraisal right of buying full share price of NT\$127,888,136 for Sunyang Technology Co., Ltd. There is no shareholding so far.  |
| January, 2010   | Converted domestic convertible bonds into common stocks of NT\$2,439,968,270.  |
| March, 2010     | Obtained TUV certification for the Yilan Lize plant and passed the ISO 14001 environmental management system standard.   |
| April, 2010     | The Investment Commission, Ministry of Economic Affairs approved SKYRISE INT'L LTD. to reduce its capital by USD 3,056,060. After the capital reduction, the total share capital was USD 50,000.   |
| September, 2010 | To meet the needs of growth, a total of 17 plots of land in the Meizhou New Section of Yilan City were purchased, amounting to a total of NT\$108,739,000.   |
| October, 2010   | To meet the needs of growth, a total of 17 plots of land in the new section of Meizhou, Yilan City were purchased, amounting to a total of NT\$120,165,000.  |
| November, 2010  | The Investment Commission, Ministry of Economic Affairs approved EVER ENERGETIC INT'L LTD. to reduce the capital by USD 4,306,295.11. After the capital reduction, the total share capital was USD 15,800,000.   |
| December, 2010  | Through the re-investment business of Taiwan Semiconductor (HK) Co., Ltd., the distribution of the 2006 dividend of the Mainland investment business Tianjin Everwell of USD 2.79 million was remitted to Hong Kong Taiwan Semiconductor (HK) Co., Ltd., and through Taiwan Semiconductor (HK) Co., Ltd.'s own funds of USD 3 million as equity, indirectly increased capital to China Yangxin Everwell. |
| July, 2011      | Obtained Sony Green certification for the Yilan Lize plant and Meizhou plant.  |
| January, 2012   | The Investment Commission, Ministry of Economic Affairs approved Yangxin Everwell to increase its capital by USD 8 million from the 2007-2010 dividend surpluses. After the capital increase, Yangxin Everwell has been registered (including actual capital) from the original registered (including actual capital) capital increase of US\$ 25 million to US\$33 million.                             |
| June, 2013      | The board of directors resolved to change the company's business address to → "11th Floor, No. 205, Section 3, Beixin Road, Xindian District, New Taipei City".  |
| July, 2013      | The Ministry of Economic Affairs approved the relocation to "11th Floor, No. 205, Section 3, Beixin Road, Xindian District, New Taipei City".  |
| July, 2013      | Taiwan Semiconductor Technology (Shenzhen) Co., Ltd. closed its operations in mid-2013, and completed the liquidation procedures on July 17, 2013.   |
| November, 2013  | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options and capital reduction of cancelled treasury shares to common stocks of NT\$2,442,568,270.  |
| December, 2013  | To cancel investment, The Investment Commission, Ministry of Economic Affairs approved the completion of liquidation and business closure of Taiwan Semiconductor Technology (Shenzhen) Co., Ltd. in the mainland of China.  |

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| January, 2014   | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options and the cancellation of treasury stocks to reduce the capital of common stock to NT\$2,432,818,270.  |
| February, 2014  | Obtained TUV certification for the Shandong Yangxin Everwell Plant and passed the ISO14064 greenhouse gas inspection at a "reasonable assurance level"   |
| April, 2014     | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to ordinary share capital of NT\$2,433,218,270.  |
| May, 2014       | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to ordinary share capital of NT\$2,434,643,270.  |
| July, 2014      | Obtained TUV certification for the Yilan Lize plant and passed the ISO14064 greenhouse gas inspection at a "reasonable assurance level".   |
| November, 2014  | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to ordinary share capital of NT\$2,436,143,270.  |
| April, 2015     | The Investment Commission, Ministry of Economic Affairs approved the capital reduction of cancelled treasury stocks and the capital increase of employee stock options to common stocks of NT\$2,387,643,270.  |
| May, 2015       | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,388,108,270..   |
| December, 2015  | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,396,368,270.  |
| January, 2016   | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,400,143,270.  |
| April, 2016     | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,403,025,770.  |
| November, 2016  | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,405,058,270.  |
| April, 2017     | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,408,058,270.  |
| May, 2017       | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to NT\$2,409,493,270.  |
| November, 2017  | The Investment Commission, Ministry of Economic Affairs approved the employee stock option certificate to increase the common share capital to NT\$2,411,443,270 .   |
| December, 2017  | Obtained TUV certification for the Yilan Meizhou Plant and Lize Plant and passed the IATF16949 quality management system standard.   |
| January, 2018   | The Financial Supervisory Commission approved the company's issuance of the fifth domestic unsecured convertible bonds of NT\$1billion to support the purchase of machinery equipment at the Yilan Lize Plant, and the addition of related factory facilities. |
| January, 2018   | Obtained SGS certification for the Tianjin plant to pass the IATF16949 quality management system standard.   |
| April, 2018     | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to common stocks of NT\$2,411,753,270.   |
| April, 2018     | The Investment Commission, Ministry of Economic Affairs approved the capital increase of employee stock options to common stocks of NT\$2,411,753,270.   |
| August, 2018    | The Investment Commission, Ministry of Economic Affairs approved the conversion of domestic convertible bonds into common equity to NT\$2,427,129,650.   |
| September, 2018 | Obtained TUV certification for the Shandong plant to pass the IATF16949 quality management system standard.  |
| December, 2019  | The Investment Commission, Ministry of Economic Affairs approved the issuance of 6,741,000 shares of ordinary shares for seasoned equity offering in private placement to common stocks of NT\$2,494,539,650.  |
| April, 2021     | The Investment Commission, Ministry of Economic Affairs approved the conversion of domestic convertible bonds into common stock of NT\$2,650,854,860.  |

January, 2022    The Investment Commission, Ministry of Economic Affairs approved the cancellation of treasury stocks to reduce the capital of common stock to NT\$2,634,854,860.

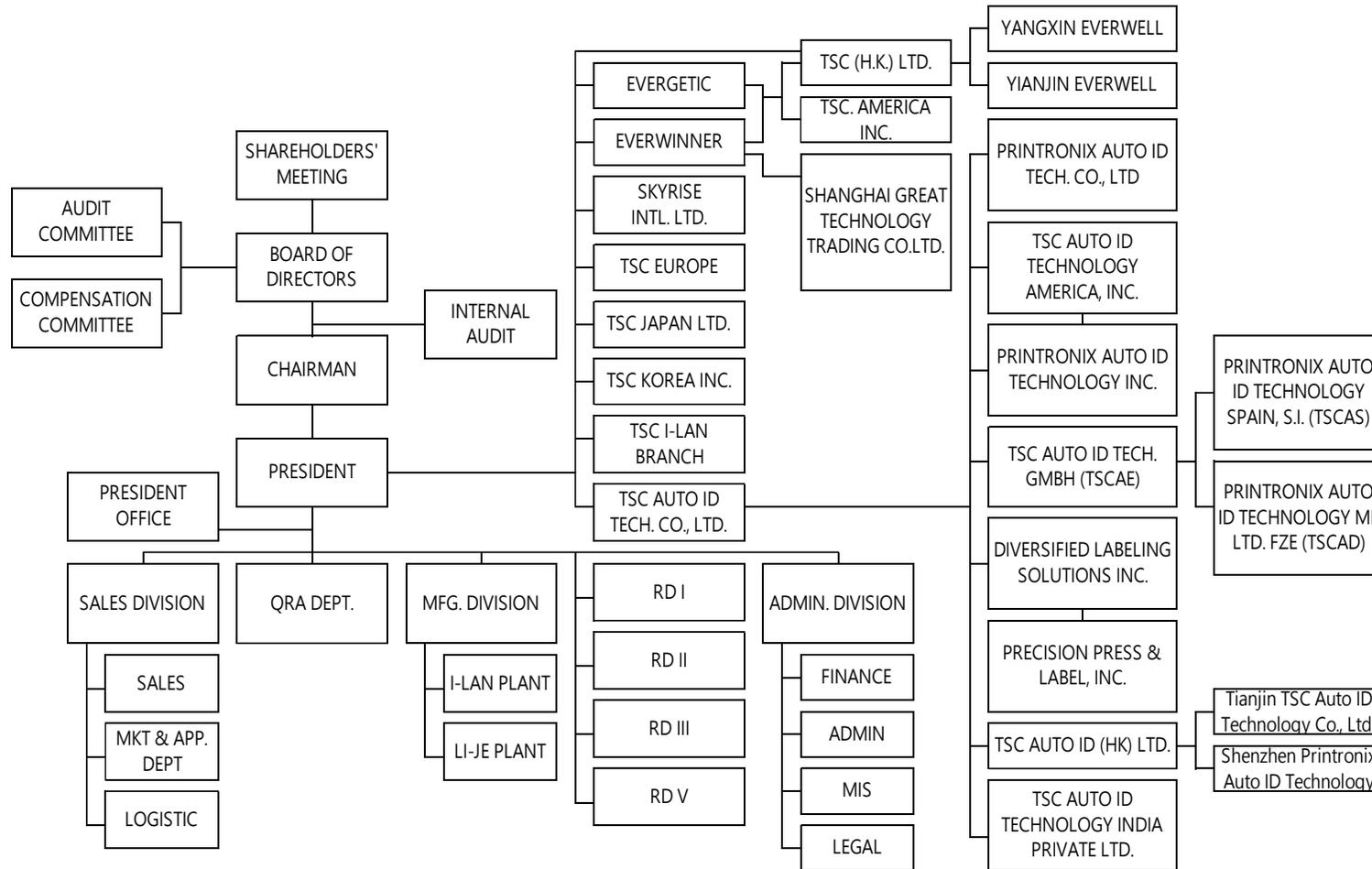
### 3. Corporate Governance Report

#### 1. Organization Structure

##### I. Corporate Organization Structure

Effective Date: 2022/03/02

#### ORGANIZATION CHART



## 2. Major Corporate Functions

| Department                      |   | Functions  |
|---------------------------------|---|--|
| President's Office              |   | Assist the president to carry out the business of the staff unit, assist in the preparation of the business plan. Design, review and analysis of business performance, while also drafting, establishing and assisting the business of each department.  |
| Audit Office                    |   | Perform audit work on the company's internal rules and systems, and propose improvement suggestions.   |
| Sales Office                    |   | Market survey, development and sales of rectifiers, analog ICs, metal oxide half field effect transistors and small signal products.   |
| Quality Control Department      |   | (1) Inspection of rectifiers, analog ICs, metal oxide half-field effect transistors, small signal products and Schottky wafer raw materials, materials, finished products and instrumentation fixtures.<br>(2) Promotion and implementation of international standard business of rectifier, analog IC, small signal product quality management and quality assurance.   |
| Research & Development Division |   | Rectifiers, analog ICs, metal oxide half field effect transistors, small signal products and new wafer products, new manufacturing process and new equipment research and development.   |
| Administration Dept.            |   | (1) Planning and implementation of the overall information system.<br>(2) Responsible for overall company personnel, general affairs and legal affairs and other related businesses.<br>(3) Responsible for overall company accounting treatment, cost analysis, budget preparation and control, capital planning and scheduling, share affairs and other matters.   |
| Production Division             | Yilan Factory (No. 1 Rectifier Packaging Factory) | (1) Warehouse management of rectifiers, analog ICs, metal oxide half field effect transistors, and small signal products.<br>(2) Repair and maintenance of rectifier equipment.<br>(3) Manufacturing, production and warehouse management of rectifiers.<br>(4) Responsible for the procurement, import and export of rectifier products.<br>(5) Responsible for the overall management of factory personnel, general affairs, labor safety and health, document control and other businesses.<br>(6) Responsible for the procurement, import and export of rectifiers, analog ICs, metal oxide half field effect transistors, small signal products and wafer products.                     |
|                                 | Lize Factory (Fab)                                | (1) Warehouse management of rectifiers, analog ICs, MOSFETs, small signal products and wafer products.<br>(2) Repair and maintenance of rectifier and wafer equipment.<br>(3) Manufacturing, production and warehouse management of wafers.<br>(4) Responsible for the procurement, import and export and other related businesses related to wafer products.<br>(5) Responsible for the overall management of factory personnel, general affairs, labor safety and health, document control and other businesses.<br>(6) Responsible for the procurement, import and export of rectifiers, analog ICs, metal oxide half field effect transistors, small signal products and wafer products. |

## 2. Directors, supervisors, president, vice presidents, associates, directors of various departments and branches

### 1. Directors and supervisors' information

21 April 2023

| Title<br>(Note 1)   | Nationality<br>or place of<br>incorporation | Name                                   | Gender / Age    | Date<br>elected | Tenure  | Date of<br>initial<br>appointment | Shareholding when<br>appointed |                                 | Current shareholding |                                      | Current shareholdings<br>of spouse and minor<br>child(ren) |                                 | Shareholding under<br>other person(s) |                                 | Education and<br>experience  | Concurrent Position(s) in the Company<br>and other companies  | Spouse or relative within the<br>second degree of kinship<br>holding other managerial,<br>director or supervisor position |                                |  | Remarks  |
|---|---|--|-----------------|-----------------|---------|-----------------------------------|--------------------------------|---------------------------------|----------------------|--------------------------------------|--|---------------------------------|---------------------------------------|---------------------------------|--|---|---|--------------------------------|--|--|
|   |   |  |                 |                 |         |                                   | Shares                         | Sharehold-<br>ing<br>percentage | Shares               | Sharehold-<br>ing<br>percenta-<br>ge | Shares   | Sharehold-<br>ing<br>percentage | Shares                                | Sharehold-<br>ing<br>percentage |  |   | Title   | Name                           | Relation                                   |  |
| Chairman and<br>President   | Republic of China                           | Wang Shiu<br>Ting                      | Male<br>(61-76) | 2021.07.26      | 3 years | 1998.06.19                        | 11,608,340                     | 4.38%                           | 12,383,340           | 4.70%                                | 0  | 0%                              | 4,450,000                             | 1.69%                           | Tatung University,<br>Mechanical Engineering;<br>Manger of Texas<br>Instruments  | Chairman of Yangxin Everwell Electronics Co., Ltd. (legal representative)<br>Chairman of Tianjin Everwell Technology Co., Ltd. (legal representative)<br>Chairman of EVER ENERGETIC INTERNATIONAL LTD. (legal representative)<br>Chairman of EVER WINNER INTERNATIONAL CO., LTD. (legal representative)<br>Chairman of SKYRISE INT'L LTD. (legal representative)<br>Director (legal representative) of TAIWAN SEMICONDUCTOR JAPAN.<br>CEO and Director of TSC Auto ID Technology Co., Ltd.<br>Chairman of Tianjin Guoju Technology Co., Ltd. (legal representative)<br>Chairman of Ninci Investment Co., Ltd.<br>Chairman of Dingguan Technology Co., Ltd. (legal representative)<br>Chairman of Shenzhen Dingguan Technology Co., Ltd. (legal representative)  | Senior Deputy<br>President<br>Chairman of<br>TSC Auto ID<br>Technology Co.,<br>Ltd.                                       | Wang Shiu Fon<br>Wang Xing Lei | Brother and<br>sister<br>Father and<br>son | When the<br>president<br>or the<br>person<br>with<br>equivalen<br>t position<br>(the top<br>manager)<br>and the<br>chairman<br>of the<br>board are<br>the same<br>person,<br>each<br>other's<br>spouse or<br>first<br>relative,<br>the<br>reasons,<br>rationalit<br>y, and<br>Necessity<br>and |
| Director  | Republic of China                           | TSC Auto ID<br>Technology<br>Co., Ltd. | None            | 2021.07.26      | 3 years | 2015.06.18                        | 13,600,000                     | 5.13%                           | 14,800,000           | 5.62%                                | 0  | 0%                              | 0                                     | 0%                              | None   | None  | None  | None                           | None                                       | related<br>informati<br>on:<br>Since the<br>establish<br>ment of<br>the<br>Taiwan<br>and<br>Semi-Co<br>mpany<br>I. Under<br>the<br>profession<br>al<br>leadershi<br>p of<br>Chairman<br>Wang<br>Shiu<br>Ting, the<br>business<br>of the<br>group is<br>flourishin<br>g.<br>Has                 |
| Representative<br>of Corporate<br>Directors and<br>Vice President | Republic of China                           | Wang Xing Lei                          | Male<br>(41-50) | 2021.07.26      | 3 years | 2015.06.18                        | 146,000                        | 0.06%                           | 146,000              | 0.06%                                | 116,000  | 0.04%                           | 285,000                               | 0.11%                           | Master of Business<br>Administration,<br>Massachusetts Institute of<br>Technology<br>Consultant of<br>McKinsey Management<br>Consultants | Chairman of TSC Auto ID Technology America, Inc. (legal representative)<br>Head of TSC Auto ID (HK) Ltd. (legal representative)<br>Supervisor (legal representative) of Tianjin Everwell Technology Co., Ltd.<br>Director (legal representative) of Tianjin Guoju Technology Co., Ltd.<br>Director of Arthur Investment Co., Ltd.<br>Director of Ninci Investment Co., Ltd.<br>Chairman of TSC Auto ID Technology Co., Ltd.<br>Director of Dingguan Technology Co., Ltd. (legal representative)<br>Director of Shenzhen Dingguan Technology Co., Ltd. (legal representative)<br>Chairman of Printromix Auto ID Technology Inc. (legal representative)<br>Director (legal representative) of TAIWAN SEMICONDUCTOR EUROPE GMBH<br>Director (legal representative) of TSC Auto ID Technology EMEA GmbH (TSCAE)<br>Chairman of Diversified Labeling Solutions Inc. (legal representative)<br>Chairman of Precision Press & Label, Inc. (legal representative) | Chairman and<br>President   | Wang Shiu<br>Ting              | Father and<br>son                          | related<br>informati<br>on:<br>Since the<br>establish<br>ment of<br>the<br>Taiwan<br>and<br>Semi-Co<br>mpany<br>I. Under<br>the<br>profession<br>al<br>leadershi<br>p of<br>Chairman<br>Wang<br>Shiu<br>Ting, the<br>business<br>of the<br>group is<br>flourishin<br>g.<br>Has                 |
| Director  | Republic of China                           | UMC Capital                            | None            | 2021.07.26      | 3 years | 2021.07.26                        | 6,741,000                      | 2.54%                           | 6,741,000            | 2.56%                                | 0  | 0%                              | 0                                     | 0%                              | None   | None  | None  | None                           | None                                       | Has  |

| Title<br>(Note 1)                           | Nationality<br>or place of<br>incorporation | Name           | Gender / Age    | Date<br>elected | Tenure  | Date of<br>initial<br>appointment | Shareholding when<br>appointed |                                | Current shareholding |                                    | Current shareholdings<br>of spouse and minor<br>child(ren) |                                | Shareholding under<br>other person(s) |                                | Education and<br>experience  | Concurrent Position(s) in the Company<br>and other companies   | Spouse or relative within the<br>second degree of kinship<br>holding other managerial,<br>director or supervisor position |      |          | Remarks  |
|---|---|----------------|-----------------|-----------------|---------|-----------------------------------|--------------------------------|--------------------------------|----------------------|------------------------------------|--|--------------------------------|---------------------------------------|--------------------------------|--|--|---|------|----------|--|
|   |   |                |                 |                 |         |                                   | Shares                         | Sharehold<br>ing<br>percentage | Shares               | Sharehold<br>ing<br>percenta<br>ge | Shares   | Sharehold<br>ing<br>percentage | Shares                                | Sharehold<br>ing<br>percentage |  |  | Title   | Name | Relation |  |
| Representative<br>of Corporate<br>Directors | Republic of China                           | Liu Chang Yu   | Male<br>(41-50) | 2021.07.26      | 3 years | 2021.07.26                        | 0                              | 0%                             | 0                    | 0%                                 | 0  | 0%                             | 0                                     | 0%                             | Master of Industrial and<br>Systems Engineering,<br>Chung Yuan Christian<br>University ;<br>Bachelor's degree of<br>Business Mathematics,<br>Soochow University ;<br>Vice President, EY<br>M&A advisory assisting;<br>Senior manager,<br>Investment Department,<br>AsusTek Computer Inc. ;<br>Investment Manager,<br>StanShih Foundation;<br>Assistant Manager,<br>Productive and Planning<br>Department, VisEra<br>Technologies Company<br>Limited;<br>Leder Engineer,<br>Central Production<br>Planning Department,<br>United Microelectronics<br>Corporation<br>Representative<br>of<br>Corporate Directors , Win<br>Win Precision Technology<br>Co., Ltd.<br>Representative<br>of<br>Corporate<br>Directors,<br>SUBTRON<br>TECHNOLOGY CO.,<br>LTD. | Vice President, IMC Capital<br>Representative of Corporate   | None  | None | None     | proved<br>that it is<br>necessary<br>and<br>reasonabl<br>e for him<br>to<br>concurr<br>ently serve<br>as the<br>president<br>of the<br>first<br>grade.<br>In<br>addition,<br>the<br>company<br>will<br>follow<br>the laws<br>and<br>regulatio<br>ns. Wang<br>Shiu<br>Ting.<br>Group<br>business<br>is<br>booming<br>. Has<br>proved<br>that it is<br>necessary<br>and<br>reasonabl<br>e for him<br>to<br>concurr<br>ently serve<br>as the<br>president<br>of the<br>first<br>grade.<br>In<br>addition,<br>the<br>company<br>will<br>follow<br>the laws<br>and<br>regulatio<br>ns in the<br>follow-up<br>process. |
| Independent<br>director                     | Republic of China                           | Jhan Cian Long | Male<br>(61-75) | 2021.07.26      | 3 years | 2012.06.27                        | 0                              | 0%                             | 0                    | 0%                                 | 0  | 0%                             | 0                                     | 0%                             | PhD in<br>Accounting, Nova<br>University<br>Professor and<br>Head of<br>Department of<br>Accounting, Soochow<br>University<br>Dean of Soochow<br>University Business<br>School<br>Dean of Soochow<br>University<br>Independent Director and<br>Member of<br>Compensation Committee<br>of<br>Yatai Imaging<br>Co., Ltd.<br>Independent Director and<br>Audit Committee Member<br>of CABIQI International<br>Co., Ltd.<br>Independent Director of<br>Taiwan Salt Industry Co.,<br>Ltd.   | Professor of Soochow University<br>Member of the Compensation Committee of<br>Taiwan Semiconductor Co., Ltd.<br>Member of the Audit Committee of Taiwan<br>Semiconductor Co., Ltd. (Convener)<br>Independent Director of Asia Optical Co.,<br>Ltd.<br>Independent Director of Excelsior Medical<br>Co., Ltd.<br>Director of Helianshuo Co., Ltd. | None  | None | None     | In<br>addition,<br>the<br>company<br>will<br>follow<br>the laws<br>and<br>regulatio<br>ns in the<br>follow-up<br>process.  |

| Title<br>(Note 1)       | Nationality<br>or place of<br>incorporation | Name          | Gender /<br>Age | Date<br>elected | Tenure  | Date of<br>initial<br>appointment | Shareholding when<br>appointed |                                | Current shareholding |                                    | Current shareholdings<br>of spouse and minor<br>child(ren) |                                | Shareholding under<br>other person(s) |                                | Education and<br>experience   | Concurrent Position(s) in the Company<br>and other companies   | Spouse or relative within the<br>second degree of kinship<br>holding other managerial,<br>director or supervisor position |      |          | Remarks |
|-------------------------|---|---------------|-----------------|-----------------|---------|-----------------------------------|--------------------------------|--------------------------------|----------------------|------------------------------------|--|--------------------------------|---------------------------------------|--------------------------------|---|--|---|------|----------|---------|
|                         |   |               |                 |                 |         |                                   | Shares                         | Sharehold<br>ing<br>percentage | Shares               | Sharehold<br>ing<br>percenta<br>ge | Shares   | Sharehold<br>ing<br>percentage | Shares                                | Sharehold<br>ing<br>percentage |   |  | Title   | Name | Relation |         |
| Independent<br>director | Republic of China                           | Lin Bo Sheng  | Male<br>(61-75) | 2021.07.26      | 3 years | 2012.06.27                        | 0                              | 0%                             | 0                    | 0%                                 | 0  | 0%                             | 0                                     | 0%                             | Ph.D. in Economics, Johns Hopkins University, associate Professor, Professor, Department of International Trade and Economics, National Chengchi University, Director and Department Director of Zhengda International Trade Office, Director of Hualu Venture Capital (Stock) Company, Member of Remuneration Committee of Jinghua Hotel, Independent director and member of the Salary and Compensation Committee of Datong World Technology (Stock) Company, Independent Director of Dynamic Electronics (Convener of Audit Committee) and Member of Compensation Committee (Convener)   | Adjunct Professor of the Department of International Trade and Economics, National Chengchi University<br>Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd.<br>Member of the Audit Committee of Taiwan Semiconductor Co., Ltd.  | None  | None | None     |         |
| Independent<br>director | Republic of China                           | Fan Hong Shu  | Male<br>(51-60) | 2021.07.26      | 3 years | 2012.06.27                        | 0                              | 0%                             | 1,000                | 0%                                 | 0  | 0%                             | 0                                     | 0%                             | Ph.D. in Accounting Group, Institute of Business Studies, National Taiwan University, Dean and Professor of Department of Accounting, Fu Jen Catholic University, External review members of the listing/ OTC review committee, Member of the Accountant Examination Review Committee of the Examination and Selection Department, TSC Auto ID Technology Co., Ltd., Independent supervisor of Guangdong Electronics Co., Ltd., The legal person supervisor representative of Mega International Commercial Bank, Representative of the legal person supervisor of Taiwan Fire Development Co., Ltd., Independent Director of Tigerair Taiwan Co. Ltd | Adjunct Professor and Vice Dean of the Department of International Trade and Economics, National Chengchi University<br>Director of Tigerair Taiwan Co. Ltd<br>Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd.<br>Member of the Audit Committee of Taiwan Semiconductor Co., Ltd. | None  | None | None     |         |
| Independent<br>director | Republic of China                           | Ma Shu Zhuang | Male<br>(41-50) | 2021.07.26      | 3 years | 2021.07.26                        | 0                              | 0%                             | 0                    | 0%                                 | 0  | 0%                             | 0                                     | 0%                             | MIT Sloan School of Management; MBA UC Berkeley, Bachelor of Computer Science and Architecture  | CEO of NUTRITEC-ENJOY CORPORATION  | None  | None | None     |         |

Director: Wang Shiu Fon and Chao Feng Yu was resigned after re-election at the general shareholders' meeting on 2022.07.26.

Note1 : Major shareholders of the institutional shareholders:

Table1:Major shareholders of the institutional shareholders

21 April 2023

| Name of Institutional Shareholders (Note1) | Major shareholders of the institutional shareholders (Note2)  |
|--|---|
| TSC Auto ID Technology Co., Ltd.           | Taiwan Semiconductor Co., Ltd. (36.35%)<br>Standard Chartered Bank in custody for the Fidelity Puritan Trust: Fidelity Low-Priced Stocks Fund (5.44%)<br>Cathay Life Insurance Co., Ltd. (5.15%)<br>Wang Shiu Ting (1.74%)<br>Thunder Co., Ltd. (1.60%)<br>Nanshan Life Insurance Co., Ltd. (1.54%)<br>Fubon Life Insurance Co., Ltd. (1.20%)<br>Wang Xiupeng (1.08%)<br>Li Fangqiang (1.02%)<br>Arthur Investment Co., Ltd (0.84%) |
| UMC Capital                                | UMC Corp.   |

Note 1: If the director or supervisor is a representative of institutional shareholder, the name of institutional shareholder should be filled in.

Note 2: Fill in the name of the major shareholder of the institutional shareholders (their shareholding ratio accounts for the top ten) and the shareholding ratio. If the major shareholder is an institutional shareholder, the following table 2 should be filled in.

Note 3: If a shareholder is not a company organizer, the name of the shareholder and shareholding ratio that should be disclosed, that is the name of the investor or donor and its funding or contribution ratio.

Major shareholders of the Company's major institutional shareholders

21 April 2023

| Corporate Shareholder (Note1)    | Major Shareholders (Note 2)  |
|----------------------------------|--|
| Taiwan Semiconductor Co., Ltd.   | TSC Auto ID Technology Co., Ltd. (5.62%)<br>Fubon Life Insurance Co., Ltd. (4.79%)<br>Wang Shiu Ting (4.70%)<br>Yuanta Taiwan High-yield Leading Company Fund (4.17%)<br>Arthur Investment Co., Ltd (3.97%)<br>UMC Capital (2.56%)<br>Ninci Investment Co., Ltd. (1.69%)<br>Labor Pension Fund(New Scheme) (1.43%)<br>JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.28%)<br>Labor Retirement Fund(Old Scheme) (1.26%) |
| Cathay Life Insurance Co., Ltd.  | Cathay Financial Holdings Co., Ltd. (100%)   |
| Thunder Co., Ltd.                | Wang Xing Lei (97.85%)<br>Lan Wanting (2.15%)  |
| Nanshan Life Insurance Co., Ltd. | Runcheng Investment Holdings Co., Ltd. (89.5498%)<br>Runhua Dyeing and Weaving Factory Co., Ltd. (1.3441%)<br>Du Yingzong (1.1576%)<br>Runtaixing Co., Ltd. (0.9722%)<br>Runtai Innovation International Co., Ltd. (0.2319%)<br>Huei Hong Investment Co., Ltd. (0.00007%)<br>Pou Chen Corporation (0.00007%)<br>Runtai Global Co., Ltd. (0.2133%)  |

| Corporate Shareholder<br>(Note1)    | Major Shareholders ( Note 2 )  |
|-------------------------------------|--|
|                                     | Yuanxin Investment Co., Ltd. (0.1563%)<br>Runtai Leasing Co., Ltd. (0.1243%)<br>Jipin Investment Co., Ltd. (0.1069%)<br>PAN CITY CO., LTD. (0.0945%)<br>Shi Zhen Rong (0.00007%)<br>Zhang Hong Jia (0.0001%)   |
| Fubon Life Insurance Co., Ltd.      | Fubon Financial Holdings Co., Ltd. (100%)  |
| Arthur Investment Co., Ltd          | Wang Xing Lei (55.74%)<br>Wang Wan Yu (16%)<br>Zhou A Chui (19.90%)  |
| United Microelectronics Corporation | JPMorgan Chase Bank, N.A. acting in its capacity as depository and representative to the holders of ADRs (4.90%)<br>Hsun Chieh Investment Co., Ltd. (3.54%)<br>Fubon Life Insurance Co., Ltd. (2.42%)<br>Silicon Integrated Systems Corp. (2.29%)<br>Taiwan Life Insurance Co., Ltd. (1.76%)<br>CTBC Bank Employee Stock Ownership Trust Account of UNITED MICROELECTRONICS CORP. (1.55%)<br>New Labor Pension Fund (1.50%)<br>Yann Yuan Investment Co., Ltd. (1.28%)<br>China Life Insurance Co., Ltd. (1.17%)<br>JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.11%) |

Note 1: As shown in Table 1 above, if the main shareholder is a legal person, the name of the legal person should be filled in.

Note 2: Fill in the name of major shareholder of the institutional shareholders (its shareholding ratio accounts for the top ten) and its shareholding ratio.

Note 3: A juridical person shareholder is not a company organization, and the name of the shareholder and shareholding ratio that should be disclosed in the previous disclosure is the contributor or the name of the donor and its contribution or contribution rate.

1-1. Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and Supervisors and the Independence of Independent Directors:

| Qualification Name | Professional qualifications and experience (Note 1)  | Independence analysis (Note 2)  | No. of other public companies at which the person concurrently serves as an independent director |
|--------------------|--|---|--|
| Wang Shiu Ting     | <p>Tatung University, Mechanical Engineering<br/> Manger of Texas Instruments<br/> Chairman of TAIWAN SEMICONDUCTOR CO., LTD<br/> Chairman of Yangxin Everwell Electronics Co., Ltd. (legal representative)<br/> Chairman of Tianjin Everwell Technology Co., Ltd. (legal representative)<br/> Chairman of EVER ENERGETIC INTERNATIONAL LTD. (legal representative)<br/> Chairman of EVER WINNER INTERNATIONAL CO., LTD. (legal representative)<br/> Chairman of SKYRISE INT'L LTD. (legal representative)<br/> Director (legal representative) of TAIWAN SEMICONDUCTOR JAPAN.<br/> CEO and Director of TSC Auto ID Technology Co., Ltd.<br/> Chairman of Tianjin Guoju Technology Co., Ltd. (legal representative)<br/> Chairman of Ninci Investment Co., Ltd.<br/> Chairman of Dingguan Technology Co., Ltd. (legal representative)<br/> Chairman of Shenzhen Dingguan Technology Co., Ltd. (legal representative)</p> <p>Expertise :<br/> Business management and practice in semiconductor components, automatic identification and data capture (AIDC), etc.</p> <p>He has practical experience, strategic management, leadership, and academic knowledge. And he has been in operation and strategic management in semiconductor components for over 43 years. Thus, he has abilities in financial accounting, business, marketing, and operational planning about</p> | <p>1.The Compnay’s President, director who concurrent positions as the Company’s managers<br/> 2.Director of Subsidiary (100% Subsidiar)<br/> 3. One of the top ten non-institutional shareholders of the Company.<br/> 4. Others has been verified the independence with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and confirmed that meet the requirement.</p> | 0  |

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|  | technology industry-related, operation, and practical management.   |  |   |
| TSC Auto ID Technology Co., Ltd.<br>Representative:<br>Wang Xing Lei | <p>Master of Business Administration, Massachusetts Institute of Technology<br/>Consultant of McKinsey Management Consultants<br/>Chairman of TSC Auto ID Technology America, Inc. (legal representative)<br/>Head of TSC Auto ID (HK) Ltd. (legal representative)<br/>Supervisor (legal representative) of Tianjin Everwell Technology Co., Ltd.<br/>Director (legal representative) of Tianjin Guoju Technology Co., Ltd.<br/>Director of Arthur Investment Co., Ltd.<br/>Director of Ninci Investment Co., Ltd.<br/>Chairman of TSC Auto ID Technology Co., Ltd.<br/>Director of Dingguan Technology Co., Ltd. (legal representative)<br/>Director of Shenzhen Dingguan Technology Co., Ltd. (legal representative)<br/>Chairman of Printronix Auto ID Technology Inc. (legal representative)<br/>Director (legal representative) of TAIWAN SEMICONDUCTOR EUROPE GMBH<br/>Director (legal representative) of TSC Auto ID Technology EMEA GmbH (TSCAE)<br/>Chairman of Diversified Labeling Solutions Inc. (legal representative)<br/>Chairman of Precision Press &amp; Label, Inc. (legal representative)</p> <p>Mr. Wang has abilities in corporate governance, business, marketing, and industrial technology. He will give corporate governance and operation management opinions and policies to the board of directors appropriately and request the operation team for setting and implement operational strategies.</p> | <p>1. TSC Auto ID Technology Co., Ltd. is the largest shareholder of the Company since it is holding over 5% issued share of the Company.</p> <p>2. Wang Xing Lei is the director and president of TSC Auto ID Technology Co., Ltd.</p> <p>3. Others has been verified the independence with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and confirmed that meet the requirement.</p> | 0 |
| UMC Capital<br>Representative:<br>Liu Chang Yu                       | <p>Master of Industrial and Systems Engineering, Chung Yuan Christian University ;<br/>Bachelor's degree of Business Mathematics, Soochow University ;<br/>Vice President, EY M&amp;A advisory assisting;</p>   | <p>1. UMC Capital is one of the top ten non-institutional shareholders of the Company<br/>2. Current: Vice President, UMC</p>  | 0 |

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|  | <p>Sernior manager, Investment Department, AsusTek Computer Inc.;</p> <p>Investment Manager, StanShih Foundation;</p> <p>Assistant Manager, Productive and Planning Department, VisEra Technologies Company Limited;</p> <p>Leder Engineer, Central Production Planning Department, United Microelectronics Corporation</p> <p>Director (legal representative) of Win Win Precision Technology Co., Ltd.</p> <p>Director (legal representative) of Subtron Technology Co., Ltd.</p> <p>Mr. Liu is familiar with the technological development of the semiconductor industry chain and specializes in investment management, corporate governance, accounting information, financial analysis, industry development, and technology application insight.</p> <p>He will give corporate governance and operation management opinions and policies to the board of directors appropriately and request the operation team for setting and implement operational strategies.</p> | <p>Capital</p> <p>3. Others has been verified the independence with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and confirmed that meet the requirement.</p>   |          |
| <p>Jhan Cian Long<br/>(Independent Director)</p> | <p>PhD in Accounting, Nova University</p> <p>Professor and Head of Department of Accounting, Soochow University</p> <p>Dean of Soochow University Business School</p> <p>Dean of Soochow University</p> <p>Independent Director and Member of Compensation Committee of Yatai Imaging Co., Ltd.</p> <p>Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd.</p> <p>Member of the Audit Committee of Taiwan Semiconductor Co., Ltd. (Convener)</p> <p>Independent Director and Audit Committee Member of CABIQI International Co., Ltd.</p> <p>Independent Director of Taiwan Salt Industry Co., Ltd.</p> <p>Independent Director of Asia Optical Co., Ltd.</p> <p>Independent Director of Excelsior Medical Co., Ltd.</p>  | <p>(1) Per the Corporate Governance Best Practice Principles, all independent directors and non-independent directors are elected by the candidate nomination system. The company review in advance the qualifications, education, working experience, and background, and they or their spouse or any relative within the second degree should serve as a director, supervisor, or employee of the Company or any of its</p> | <p>2</p> |

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|  | <p>Director of Helianshuo Co., Ltd.</p> <p>Mr. Jhan is an expert in finance, accounting, international trading, taxation, etc., and corporate governance. And he is an independent director for over 3 tenures (9 years) and no circumstance under any subparagraph of Article 30 of the Company Act exists.</p> <p>Also, he provides criticisms and comments on the operation of the company, which is a great contribution to the Company during the act as an independent director.</p> <p>Therefore, he can enhance the quality of corporate governance and supervision of audits when he acts as an independent director and audit committee.</p>  | <p>affiliates to the director candidates recommended by shareholders or directors, and the Company may not arbitrarily add requirements for documentation of other qualifications.</p> <p>(2) The independent directors shall be verified by the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies and the Article 14-2 of the Securities and Exchange Act for the period of election two years before and during their tenure.</p> <p>(3) Has followed Article 14-3 of the Securities and Exchange Act for making the decision and providing the opinion.</p> <p>(4) Has not received compensation from the Company or its affiliates for business, legal, financial, accounting, and other services in the past two years.</p> |          |
| <p>Lin Bo Sheng<br/>(Independent Director)</p> | <p>Ph.D. in Economics, Johns Hopkins University,<br/>Associate Professor, Professor, Department of International Trade and Economics, National Chengchi University,<br/>Director and Department, Director of Zhengda International Trade Office,<br/>Director of Hualu Venture Capital (Stock) Company,<br/>Member of Remuneration Committee of Jinghua Hotel,<br/>Independent director and member of the Salary and Compensation Committee of Datong World Technology (Stock) Company,<br/>Independent Director of Dynamic Electronics (Convener of Audit Committee) and Member of Compensation Committee (Convener)<br/>Adjunct Professor of the Department of International Trade and Economics, National Chengchi University<br/>Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd.<br/>Member of the Audit Committee of Taiwan Semiconductor Co., Ltd.</p> <p>Mr. Lin is an expert in finance, accounting, international trading, taxation, etc., and corporate governance. And he is an</p> | <p>Article 14-2 of the Securities and Exchange Act for the period of election two years before and during their tenure.</p> <p>(3) Has followed Article 14-3 of the Securities and Exchange Act for making the decision and providing the opinion.</p> <p>(4) Has not received compensation from the Company or its affiliates for business, legal, financial, accounting, and other services in the past two years.</p>   | <p>0</p> |

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|   | <p>independent director for over 3 tenures (9 years) and no circumstance under any subparagraph of Article 30 of the Company Act exists.</p> <p>Also, he provides criticisms and comments on the operation of the company, which is a great contribution to the Company during he acts as an independent director. Therefore, he can enhance the quality of corporate governance and supervision of audits when he acts as an independent director and audit committee.</p>  |  |   |
| Fan Hong Shu<br>(Independent Director)  | <p>Ph.D. in Accounting Group, Institute of Business Studies, National Taiwan University,<br/>Dean and Professor of Department of Accounting, Fu Jen Catholic University,<br/>External review members of the listing/ OTC review committee,<br/>Member of the Accountant Examination Review Committee of the Examination and Selection Department, TSC Auto ID Technology Co., Ltd.,<br/>Independent supervisor of Guangdong Electronics Co., Ltd.,<br/>The legal person supervisor representative of Mega International Commercial Bank,<br/>Representative of the legal person supervisor of Taiwan Fire Development Co., Ltd<br/>Independent Director of Tigerair Taiwan Co. Ltd<br/>Adjunct Professor and Vice Dean of the Department of International Trade and Economics, National Chengchi University<br/>Director of Tigerair Taiwan Co. Ltd<br/>Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd.<br/>Member of the Audit Committee of Taiwan Semiconductor Co., Ltd.</p> |  | 0 |
| Ma Shu Zhuang<br>(Independent Director) | <p>MIT Sloan School of Management;<br/>MBA UC Berkeley, Bachelor of Computer Science and Architecture;<br/>CEO of NUTRITEC-ENJOY CORPORATION<br/>Mr. Ma is an expert in corporate governance, financial accounting, business, marketing and analysis and management ability of industry technology which enhance the</p>   |  | 0 |

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|  | <p>quality of corporate governance and supervision of audits of the board of directors.</p> <p>And he is the first tenure and less than 3 tenures and no circumstance under any subparagraph of Article 30 of the Company Act exists.</p> |  |  |
|--|---|--|--|

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

#### 1-2. Board of directors' composition diversity policy, objectives and progress:

All independent directors and non-independent directors are elected by the candidate nomination system since June 2016. Per the Corporate Governance Best Practice Principles, the structure of the board of directors is based on the scale of the company's business development and the shareholding situation of its major shareholder and determined the appropriate number of directors for five or more. Except the number of directors who are employees of the Company shall less than (including) 1/3 of the total number of directors, the Company shall consider diversity in the composition of the Board of Directors and formulate appropriate diversity guidelines for its operations, business model and development needs, including but not limited to the following two major criteria:

i. Basic qualifications and value: Gender, age, nationality and culture, etc., and more than 1/3 of the director seats are female directors.

ii. Professional knowledge and skills: Professional background (e.g. legal, accounting, industry, finance, marketing, or technology), professional skills and industry experience, etc.

Each board member shall have the necessary knowledge, skill, and ability. To achieve the desired objectives of corporate governance, the board as a whole must have abilities that include:

- i. Operational judgment
- ii. Accounting and financial analysis
- iii. Operational management
- iv. Crisis management
- v. Industry knowledge
- vi. International market perspective
- vii. Leadership
- viii. Decision-making

Presently, the seven members of the Board of Directors are Taiwanese and possess relevant professional backgrounds and the necessary professional knowledge, skills, and education to perform their duties (refer to the above table). Also, they are experienced in accounting, finance, business, law, marketing or industrial

technology, and other majors respectively. The range of age is 3 in 61-76 (52.3%, Wang Shiu Ting, Lin Bo Sheng, Jhan Cian Long), 1 in 51-60 (14.4%, Fan Hong Shu), and 3 in 41-50 (33.3%, Wang Xing Lei, Liu Chang Yu, Ma Shu Zhuang).

#### Implementation of the Diversity Policy for Board Members

| Name  | Gender and Age  | Independent director's office term |                | Core item            |                                   |                        |                   |                    |                                  |            |                 |
|---|-----------------|------------------------------------|----------------|----------------------|-----------------------------------|------------------------|-------------------|--------------------|----------------------------------|------------|-----------------|
|   |                 | Within 3 tenures                   | Over 3 tenures | Operational judgment | Accounting and financial analysis | Operational management | Crisis management | Industry knowledge | International market perspective | Leadership | Decision-making |
| Wang Shiu Ting  | Male<br>61~76   |                                    |                | V                    | V                                 | V                      | V                 | V                  | V                                | V          | V               |
| TSC Auto ID Technology Co., Ltd.<br>Representative: Wang Xing Lei | Male<br>41~50   |                                    |                | V                    | V                                 | V                      | V                 | V                  | V                                | V          | V               |
| UMC Capital<br>Representative: Liu Chang Yu                       | Male<br>41~50   |                                    |                | V                    | V                                 | V                      | V                 | V                  | V                                | V          | V               |
| Jhan Cian Long<br>(Independent Director)                          | Female<br>61~75 |                                    | V              | V                    | V                                 | V                      | V                 | V                  | V                                | V          | V               |
| Lin Bo Sheng<br>(Independent Director)                            | Male<br>61~75   |                                    | V              | V                    | V                                 | V                      | V                 | V                  | V                                | V          | V               |
| Fan Hong Shu<br>(Independent Director)                            | Male<br>51~60   |                                    | V              | V                    | V                                 | V                      | V                 | V                  | V                                | V          | V               |
| Ma Shu Zhuang<br>(Independent Director)                           | Male<br>41~50   | V                                  |                | V                    | V                                 | V                      | V                 | V                  | V                                | V          | V               |

#### 1-3 Independence of the Board of Directors:

##### (1) Board structure:

The Company has established a director selection system. The selection process of all directors is open and fair, which is in line with the Company's "Articles of Association", "Rules for Election of Directors", "Corporate Governance Best Practice Principles", "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", "Article 14-2 of the Securities and Exchange Act", etc., the composition of the current board of directors consists of 3 non-independent directors (42.86%) and 4 independent directors (57.14%), of which 2 are

directors with employee/managerial personnel (28.57%, less than 1/3 of all directors). None of the directors has a spouse or family relationship within the second degree of kinship, which complies with the provisions of Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

(2) The Board of Directors is independent:

The board of directors of the Company guides the Company's strategy, supervises the management level, and is responsible to the company and shareholders. In the operation and arrangement of the corporate governance system, the board of directors exercises its functions and powers in accordance with laws, the Company's articles of association or the resolutions of the shareholders' meeting. The board of directors of the Company emphasizes the functions of independent operation and transparency. Directors and independent directors are independent individuals and exercise their powers independently. The three independent directors also abide by the relevant laws and regulations, cooperate with the powers of the audit committee, review the management and control of the Company's existing or potential risks, etc., so as to supervise the effective implementation of the Company's internal control, the selection (dismissal) of certified public accountants and their independence, and the fair preparation of financial statements. In addition, according to the Company's "Rules for Election of Directors", the cumulative voting system and candidate nomination system are adopted for the selection of directors and independent directors, and shareholders are encouraged to participate. Shareholders who hold a certain number of shares or more may submit a list of director candidates. Qualification review and confirmation of any violations listed in Article 30 of the Company Act shall be conducted and announced in accordance with the law to protect the rights and interests of shareholders, avoid monopoly or excessive nomination rights, and maintain independence.

The Company has established a performance assessment system for the board of directors, and carries out an internal self-assessment of the board of directors and board members every year; the content of the performance self-assessment of the board of directors includes (1) level of participation in company operations, (2) enhancement of the board's strategic decision-making quality, (3) composition and structure of the board of directors, (4) election and continuous education of directors, and (5) internal control; the self-assessment of board members includes (1) alignment of the Company's objectives and missions, (2) awareness of a director's duties, (3) level of participation in company operations, (4) management and communication of internal relations, (5) directors' professionalism and continuous education, and (6) internal control. The above-mentioned relevant self-assessment results are disclosed in the Company's annual report and official website after reporting to the Board of Directors.

In addition, in order to let the investing public fully understand the operation of the board of directors of the Company, relevant information has also been disclosed in the Company's annual report, official website or the Taiwan Stock Exchange Market Observation Post System (MOPS):

- (A) Attendance status of board members participating in meetings;
- (B) Contents of motion and resolutions of the board of directors;
- (C) Continuing education of directors;
- (D) Changes in shareholding of directors (shareholding ratio, share transfer, pledge setting, etc., please refer to the Taiwan Stock Exchange MOPS).

## 2. President, Vice President, Associate, Heads of Departments and Branches

21 April 2023

| Title  | Nationality       | Name           | Gender         | Date of appointment to position | Shares held   |                    | Shares held by spouse and minor children |                    | Shares held through nominees |                    | Principal work experience and academic qualifications   | Positions concurrently held in other companies at present  | Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree |                                |                      |                                      |   |
|--|-------------------|----------------|----------------|---------------------------------|---------------|--------------------|--|--------------------|------------------------------|--------------------|---|--|---|--------------------------------|----------------------|--------------------------------------|---|
|  |                   |                |                |                                 | No. of shares | Shareholding ratio | No. of shares                            | Shareholding ratio | No. of shares                | Shareholding ratio |   |  | Job title   | Name                           | Relation             | Remarks                              |   |
| Chairman and President   | Republic of China | Wang Shiu Ting | Male (61-76)   | 1979.09.03                      | 11,608,340    | 4.41%              | 0  | 0%                 | 4,200,000                    | 1.59%              | Department of Mechanical Engineering, Datong Institute of Technology<br>Manager of Texas Instruments  | Chairman of Yangxin Everwell Electronics Co., Ltd. (legal representative)<br>Chairman of Tianjin Everwell Technology Co., Ltd. (legal representative)<br>EVER ENERGETIC<br>Chairman of INTERNATIONAL LTD. (legal representative)<br>Chairman of EVER WINNER INTERNATIONAL CO., LTD. (legal representative)<br>Chairman of SKYRISE INT'L LTD. (legal representative)<br>Director (legal representative) of TAIWAN SEMICONDUCTOR JAPAN.<br>CEO and Director of TSC Auto ID Technology Co., Ltd.<br>Chairman of Tianjin Guoju Technology Co., Ltd. (legal representative)<br>Chairman of Ninci Investment Co., Ltd.<br>Chairman of Dingguan Technology Co., Ltd. (legal representative)<br>Chairman of Shenzhen Dingguan Technology Co., Ltd. (legal representative)  | Senior Deputy President   | Wang Shiu Fon<br>Wang Xing Lei | Shiu Xing<br>Fon Lei | Brother and sister<br>Father and son | When the president or the person with equivalent position (the top manager) and the chairman of the board are the same person, each other's spouse or first relative, the reasons, rationality, and Necessity and related information:<br>Since its establishment in 1979, Taiwan |
| Senior Vice President  | Republic of China | Wang Shiu Fon  | Female (61-75) | 1988.06.01                      | 1,678,227     | 0.64%              | 0  | 0%                 | 0                            | 0%                 | Toucheng High School  | Director (legal representative) of Yangxin Everwell Electronics Co., Ltd.<br>Director (legal representative) of Tianjin Everwell Technology Co., Ltd.<br>Chairman of Shanghai Great Technology Trade Co., Ltd. (legal representative)<br>Supervisor (legal representative) of Tianjin Guoju Technology Co., Ltd.   | Chairman and President  | Wang Shiu Ting                 | Shiu Xing<br>Fon Lei | Brother and sister                   | Under the professional leadership of Chairman Wang Shiu Ting, the business of the group is flourishing.   |
| Representative of Corporate Directors and Vice president                     | Republic of China | Wang Xing Lei  | Male (41-50)   | 2019.04.01                      | 146,000       | 0.06%              | 116,000                                  | 0.04%              | 285,000                      | 0.11%              | Master of Business Administration,<br>Massachusetts Institute of Technology<br>Consultant of McKinsey Management Consultants  | Chairman of TSC Auto ID Technology America, Inc. (legal representative)<br>Head of TSC Auto ID (HK) Ltd. (legal representative)<br>Supervisor (legal representative) of Tianjin Everwell Technology Co., Ltd.<br>Director (legal representative) of Tianjin Guoju Technology Co., Ltd.<br>Director of Arthur Investment Co., Ltd.<br>Director of Ninci Investment Co., Ltd.<br>Director of TSC Auto ID Technology Co., Ltd.<br>Director of Dingguan Technology Co., Ltd. (legal representative)<br>Director of Shenzhen Dingguan Technology Co., Ltd. (legal representative)<br>Chairman of Printronix Auto ID Technology Inc. (legal representative)<br>Director (legal representative) of TAIWAN SEMICONDUCTOR EUROPE GMBH<br>Director (legal representative) of TSC Auto ID Technology EMEA GmbH (TSCAE)<br>Chairman of Diversified Labeling Solutions Inc. (legal representative)<br>Chairman of Precision Press & Label, Inc. (legal representative)<br>Chairman of TSC AUTO ID TECHNOLOGY INDIA PRIVATE LIMITED (legal representative) | Chairman and President  | Wang Shiu Ting                 | Shiu Xing<br>Fon Lei | Father and son                       | It has been proved that it is necessary and reasonable for him to concurrently serve as the president of the first grade.<br>In addition, the company will follow the laws and regulations.   |
| Vice president, Chief Financial Officer, and Manager of corporate governance | Republic of China | Adam Cheng     | Male (51-60)   | 2021.09.01                      | 0             | 0%                 | 0  | 0%                 | 0                            | 0%                 | Department of Accounting and Taxation, University of Houston, Texas<br>Accounting Director of Taiwan Semiconductor Manufacturing Co., Ltd.<br>Financial Director of QUALCOMM TAIWAN CORPORATION<br>Financial Senior Assistant<br>Vice President of TSC AUTO ID TECHNOLOGY CO., LTD. | Supervisor of Shanghai Great Technology Trade Co., Ltd. (legal representative)<br>Supervisor of TAIWAN SEMICONDUCTOR JAPAN (legal representative)<br>Director of TAIWAN SEMICONDUCTOR(H.K.) CO., LTD. (legal representative)<br>Director of TSC AMERICA INC. (legal representative)<br>Supervisor of TAIWAN SEMICONDUCTOR JAPAN. (legal representative)  | None  | None                           | None                 |                                      |   |

| Title          | Nationality       | Name             | Gender         | Date of appointment to position | Shares held   |                    | Shares held by spouse and minor children |                    | Shares held through nominees |                    | Principal work experience and academic qualifications  | Positions concurrently held in other companies at present   | Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree |      |          |         |
|----------------|-------------------|------------------|----------------|---------------------------------|---------------|--------------------|--|--------------------|------------------------------|--------------------|--|---|---|------|----------|---------|
|                |                   |                  |                |                                 | No. of shares | Shareholding ratio | No. of shares                            | Shareholding ratio | No. of shares                | Shareholding ratio |  |   | Job title   | Name | Relation | Remarks |
| Vice president | Republic of China | Liu Mei Feng     | Female (51-60) | 2022.01.01                      | 62,000        | 0.02%              | 0  | 0%                 | 0                            | 0%                 | Shipping and Transportation Management Department of China Maritime College<br>EMBA Business Management of National Chengchi University<br>Secretary of STAND DRAGON information Training Assistant<br>Manager of Sinon Corporation<br>Production management of Xuli Electronics Co., Ltd.<br>Assistant Vice President of TAIWAN SEMICONDUCTOR CO., LTD.                               | Director of TAIWAN SEMICONDUCTOR JAPAN (legal representative)   | None  | None | None     |         |
| Vice president | Republic of China | Yan Guo Yin      | Male (51-60)   | 2014.12.26                      | 1,700,772     | 0.65%              | 0  | 0%                 | 0                            | 0%                 | Fuxing Technical College<br>Electrical Engineering<br>Director of Yangxin Everwell Factory   | Director (legal representative) of Yangxin Everwell Electronics Co., Ltd.<br>Director (legal representative) of Tianjin Everwell Technology Co., Ltd. | None  | None | None     |         |
| Vice president | Republic of China | Zhang Qing Xiang | Male (51-60)   | 2022.07.13                      | 0             | 0%                 | 0  | 0%                 | 0                            | 0%                 | Bachelor of Department of Materials in Tsing Hua University<br>Vice president of hangXin Memory Technologies, Inc. (CXMT)<br>Manager of Taiwan Semiconductor Manufacturing Co., Ltd<br>Assist Manager of notera Memories, Inc.<br>Technical Manager of Powerchip Semiconductor Manufacturing Corporation   | None  | None  | None | None     |         |
| Vice president | Republic of China | Jin Rui Sen      | Male (61-75)   | 2022.12.26                      | 0             | 0%                 | 0  | 0%                 | 0                            | 0%                 | Bachelor of Department of Chemical Engineering in Feng Chia University<br>Product Chief Marketing Officer of Vishay Intertechnology, Inc.<br>Back-end Assembly Engineer in General Instrument Inc.   | None  | None  | None | None     |         |
| Vice president | Republic of China | Yu Shi Heng      | Male (41-50)   | 2023.03.06                      | 0             | 0%                 | 0  | 0%                 | 0                            | 0%                 | Department of Electrophysics in National Chiao Tung University<br>R & D Director in Jiangsu Changjing Electronics Technology Co., Ltd.<br>Chief Platform Architect / Project Manager in NEXPERIA TAIWAN CO., LTD.<br>Senior Project Manager of R & D department in LITE-ON SEMICONDUCTOR CORPORATION<br>Senior Project Manager of Engineering Department in PHOTRON Semiconductor Corp | None  | None  | None | None     |         |

| Title                    | Nationality       | Name                    | Gender       | Date of appointment to position | Shares held   |                    | Shares held by spouse and minor children |                    | Shares held through nominees |                    | Principal work experience and academic qualifications   | Positions concurrently held in other companies at present | Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree |      |          |         |      |
|--------------------------|-------------------|-------------------------|--------------|---------------------------------|---------------|--------------------|--|--------------------|------------------------------|--------------------|---|---|---|------|----------|---------|------|
|                          |                   |                         |              |                                 | No. of shares | Shareholding ratio | No. of shares                            | Shareholding ratio | No. of shares                | Shareholding ratio |   |   | Job title   | Name | Relation | Remarks |      |
| Assistant Vice President | Republic of China | Lin Ke Qi               | Male (41-50) | 2021.10.12                      | 20,000        | 0.01%              | 0  | 0%                 | 0                            | 0%                 | MBA of Anglia Ruskin University<br>Sales Assistant Manager of Pu Luo Qiang Sheng SEMICONDUCTOR CORP.<br>Sales of ECLAT TEXTILE CO., LTD.<br>Senior manager of TAIWAN SEMICONDUCTOR CO., LTD.  | None  | None  | None | None     | None    | None |
| Assistant Vice President | Republic of China | Cai Yi Long             | Male (51-60) | 2014.12.26                      | 143,501       | 0.05%              | 0  | 0%                 | 0                            | 0%                 | National Central University Institute of Electrical Engineering<br>Senior R&D Engineer of Nanya Technology (Stock) Company<br>Senior R&D Engineer of Lianhua Electronics Co., Ltd.<br>R&D Manager of Huarui (Stock) Company<br>Deputy Director of R&D and Special Assistant to President of Milo Technology Co., Ltd.   | None  | None  | None | None     | None    | None |
| Director                 | Republic of China | Wu Zhi Kuan             | Male (61-75) | 2014.12.26                      | 0             | 0%                 | 0  | 0%                 | 0                            | 0%                 | National Taiwan University Law Department<br>President of Kaixuan Law Firm  | None  | None  | None | None     | None    | None |
| Assistant Vice President | Philippines       | Rexis Cagabanua Manabit | Male (51-60) | 2017.05.02                      | 0             | 0%                 | 0  | 0%                 | 0                            | 0%                 | University of San Carlos Cebu City Philippines bachelor of Science in Electronics and Communications Engineering<br>On Semiconductor.<br>Fairchild Semiconductor Pte Ltd.<br>National Semiconductor.  | None  | None  | None | None     | None    | None |
| Assistant Vice President | Republic of China | Wu Kun Fang             | Male (51-60) | 2022.09.05                      | 0             | 0%                 | 0  | 0%                 | 0                            | 0%                 | Institute of Industrial Engineering and Engineering Management in Tsing Hua University<br>Chief Office of Supply Chain Planning and Management Office in InvenSense Inc.<br>Panel PVD System Operation Management in Applied Materials Taiwan<br>Biological management supervisor and Special Assistant to Vice President of Manufacturing Center in Applied Optoelectronics, Inc.<br>Supply Chain Management and Global Logistics in Qualcomm Taiwan Corporation<br>Production Planning and Manufacturing Control / Supply Chain Development and Organizational Competitiveness<br>Development in Macronix International Co., Ltd. | None  | None  | None | None     | None    | None |

| Title                           | Nationality       | Name        | Gender       | Date of appointment to position | Shares held   |                    | Shares held by spouse and minor children |                    | Shares held through nominees |                    | Principal work experience and academic qualifications   | Positions concurrently held in other companies at present | Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree |      |          |         |      |      |
|---------------------------------|-------------------|-------------|--------------|---------------------------------|---------------|--------------------|--|--------------------|------------------------------|--------------------|---|---|---|------|----------|---------|------|------|
|                                 |                   |             |              |                                 | No. of shares | Shareholding ratio | No. of shares                            | Shareholding ratio | No. of shares                | Shareholding ratio |   |   | Job title   | Name | Relation | Remarks |      |      |
| Senior Assistant Vice President | Republic of China | Lin Wen Bin | Male (51-60) | 2022.12.01                      | 0             | 0%                 | 0  | 0%                 | 0                            | 0%                 | Master in Electrical Engineering in San Jose State University (SJSU)<br>Senior product engineering manager in Vishay Interotechnology, Inc.<br>R & D Director in LITTELFUSE CONCORD SEMICONDUCTOR INC.<br>Director of Engineering in MIRACLETOUCH TECHNOLOGY INC.<br>Technology Development Product Manager in Alcatel Microelectronics | None  | None  | None | None     | None    | None | None |



**(1-2-2) Remuneration of Directors**

| Range of Remuneration         | Name of Directors   |  |   |  |
|-------------------------------|---|--|---|--|
|                               | Total of (A+B+C+D)  |  | Total of (A+B+C+D+E+F+G)                                  |  |
|                               | The company Note(8)   | Companies in the consolidated financial statements Note(9) | The company Note(8)                                       | Companies in the consolidated financial statements Note(9) |
| Under NT\$ 1,000,000          |   |  |   |  |
| NT\$1,000,000 ~ NT\$2,000,000 | Fan Hong Shu, Lin Bo Sheng, Jhan Cian Long, Ma Shu Zhuang     | Fan Hong Shu, Lin Bo Sheng, Jhan Cian Long, Ma Shu Zhuang  | Fan Hong Shu, Lin Bo Sheng, Jhan Cian Long, Ma Shu Zhuang | Fan Hong Shu, Lin Bo Sheng, Jhan Cian Long, Ma Shu Zhuang  |
| NT\$2,000,000 ~ 3,500,000     |   |  |   |  |
| NT\$3,500,000 ~ 5,000,000     | Wang Shiu Ting, TSC Auto ID Technology Co., Ltd., UMC Capital | TSC Auto ID Technology Co., Ltd., UMC Capital              | TSC Auto ID Technology Co., Ltd., UMC Capital             | TSC Auto ID Technology Co., Ltd., UMC Capital              |
| NT\$5,000,000~10,000,000      |   |  |   |  |
| NT\$10,000,000~15,000,000     |   | Wang Shiu Ting, Wang Xing Lei                              | Wang Xing Lei   |  |
| NT\$15,000,000~30,000,000     |   |  |   |  |
| NT\$30,000,000~50,000,000     |   |  | Wang Shiu Ting  | Wang Shiu Ting, Wang Xing Lei                              |
| NT\$50,000,000~100,000,000    |   |  |   |  |
| Over NT\$100,000,000          |   |  |   |  |
| Total                         | 7   | 8  | 8   | 8  |

Note 1: The names of directors should be listed separately (corporate shareholders should list the names and representatives of legal person shareholders separately), and general directors and independent directors should be listed separately. Disclosure of the payment amounts in a summary manner. If the director is the president or deputy president concurrently, please fill in this form and the following table (3-1) or the following table (3-2-1) and (3-2-2).

Note 2: Refers to the remuneration of directors in the most recent (2022) year (including directors' salary, position bonus, severance pay, various bonuses, incentives, etc.).

Note 3: This is the amount of directors' remuneration approved by the board of directors in the most recent (2022) year.

Note 4: Refers to directors' relevant business execution expenses in the most recent (2022) year (including carriage fees, special expenses, various allowances, dormitories, car distribution, etc. are provided in kind, etc.). Such as providing housing, Automobiles and other vehicles. Or exclusive personal expenditures, the nature and cost of the assets provided should be disclosed, The actual or fair market price of rent, oil or other payments. If there is a driver, please note that the company pays. The relevant remuneration of the driver, but not included in the remuneration.

Note 5: Refers to the most recent (2022) year director and part-time employees (including part-time president, deputy president, other managers and employees) received including salary, job bonus, severance pay, various bonuses, incentives, carriage fees, special expenses, various allowances, dormitories, provide cars and other physical goods and so on. Such as providing housing, When spending on cars and other vehicles or exclusive personal expenses, It should disclose the nature and cost of the assets provided, the actual or fair market rents, oil, and other vehicles or exclusive personal expenses, It should disclose the nature and cost of the assets provided, the actual or fair market rents, oil and other benefits. If there is a driver, please note that the relevant remuneration paid by the company to the driver is not included in

the remuneration. In addition, the salary expenses recognized in accordance with IFRS 2 "Share Basic Payment", including obtaining employee stock options, restrictions on employee rights, new shares and participation in cash capital increase subscription shares, etc. should also be included in remuneration.

- Note 6: Refers to the most recent (2022) year director and part-time employees (including part-time president, deputy presidents, other managers and employees) who receive employee compensation (including stocks and cash) shall disclose the amount of employee compensation approved by the board of directors in the most recent (2022) year. If it is impossible to estimate, the proposed distribution amount for this year will be calculated according to the proportion of the actual distribution amount last year. And should also fill in the third form of appendix. (The actual individual disbursement amount has not yet been determined, It is estimated that the number of allotments proposed for this year is estimated based on the actual allotment ratio in the year of 2022 and 2021).
- Note 7: The total amount of remuneration paid to the directors of the company by all companies (including the company) in the consolidated report shall be disclosed.
- Note 8: The total amount of remuneration paid to each director by the company, Reveal the names of directors in the attribution level.
- Note 9: The total amount of remuneration paid to each director of the company by all companies (including the company) in the consolidated report should be disclosed, and the names of the directors should be disclosed in the attribution level.
- Note 10: Net profit after tax refers to the net profit after tax for the most recent year; the company has adopted international financial reporting standards, net profit after tax refers to the net profit after tax of the individual financial report for the most recent (2022) year.
- Note 11: a. This column should clearly state that the company's directors receive from the subsidiary's non-transformed investment business or the relevant remuneration amount of the parent company (if none, please fill in "none").
- b. If the directors of the company have received from the subsidiary company's non-transformed investment business or the parent company's relevant remuneration, the company's directors should be transferred out of the subsidiary to invest in the business or the remuneration received by the parent company is merged into column I of the remuneration scale table, and change the field name to "parent company and all reinvested businesses".
- c. Remuneration refers to the remuneration and remuneration received by the directors of the company as directors, supervisors or managers of non-subsiary investment enterprises or parent companies (Including the remuneration of employees, directors and supervisors) and related remuneration such as business execution expenses.
- \*The content of the remuneration disclosed in this table is different from the income concept of the income tax law. Therefore, the purpose of this form is for information disclosure and not for taxation purposes.
- Note 12: The actual amount of Taiwan Bank of Labor Retirement Reserve Fund ( The Old Fund ) paid in 2022 is NT\$0 thousand. In addition, it is NT\$239 for the withdrawal or withdrawal of retirement pension expenses.

(2-1) Supervisor's remuneration (individual disclosure of names and remuneration methods): Not applicable.

(2-2-1) Supervisor's remuneration (summarized and coordinated levels to reveal the name): Since the shareholders meeting on June 27, 2010, the company has three independent directors were elected in accordance with the law and the first audit committee was established to replace the supervisor. And, 7 directors of the 15th session (including 4 independent directors) were re-elected at the 2011 Annual General Meeting of Shareholders. The 2022 annual director's remuneration standard is according to the resolutions of the 7th Session of the Company's 5th Salary and Remuneration Committee and the 12th Session of the 15th Session of the Board of Directors on March 15, 2023.

| Title  | Name | Remuneration of Supervisors   |  |                                  |  |                        |  | Sum of A+B+C+D and ratio to net income (%) (Note 8) |  | Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 9) |
|--|------|-------------------------------|--|----------------------------------|--|------------------------|--|---|--|---|
|  |      | Base Compensation (A) Note(2) |  | Bonus to Supervisors (B) Note(3) |  | Allowances (C) Note(4) |  | The company   | Companies in the consolidated financial statements Note(8) |   |
|  |      | The company                   | Companies in the consolidated financial statements Note(5) | The company                      | Companies in the consolidated financial statements Note(5) | The company            | Companies in the consolidated financial statements Note(5) |   |  |   |
| Since the shareholders meeting on June 27, 2010, the company has Elect 3 independent directors in accordance with the law and set up the first audit committee to replace the supervisory position. There is no supervisory officer. |      | NT\$0 thousand                | NT\$0 thousand   | NT\$0 thousand                   | NT\$0 thousand   | NT\$0 thousand         | NT\$0 thousand   | 0%  | 0%   | NT\$0 thousand  |

**(2-2-2) Range of Remuneration**

| Range of Remuneration    | Name of Directors    |   |
|--------------------------|----------------------|---|
|                          | Total of (A+B+C)     |   |
|                          | The company (Note 6) | Companies in the consolidated financial statements (Note 7) |
| Under 1,000,000          |                      |   |
| 1,000,000 ~ 2,000,000    |                      |   |
| 2,000,000 ~ 3,500,000    |                      |   |
| 3,500,000 ~ 5,000,000    |                      |   |
| 5,000,000 ~ 10,000,000   |                      |   |
| 10,000,000 ~ 15,000,000  |                      |   |
| 15,000,000 ~ 30,000,000  |                      |   |
| 30,000,000 ~ 50,000,000  |                      |   |
| 50,000,000 ~ 100,000,000 |                      |   |
| Over 100,000,000         |                      |   |
| Total                    | 0                    | 0   |

Note 1: The names of the supervisors should be listed separately (the legal person shareholders should include the names of the legal person shareholders and Representatives shall list separately) and disclose the payment amounts in a summary manner.

Note 2: Refers to the remuneration of the supervisor in the most recent (2022) year (including the supervisor's salary, Post addition, severance payment, various bonuses, etc.).

Note 3: The amount of remuneration for supervisors approved and distributed by the board of directors in the most recent (2022) year is listed.

Note 4: Refers to the relevant business execution expenses paid to the supervisor in the most recent (2022) year (Including carriage fees, special expenses, various allowances, dormitories, provision of vehicles and other in-kind provision, etc.). Such as providing housing, cars and other means of transportation or exclusive personal expenses, It should disclose the nature and cost of the assets provided, the actual or fair market rents, Oil and other benefits. If there is a driver, Please note that the relevant remuneration paid by the company to the driver is not included in the payment.

Note 5: All companies in the consolidated report (including our company) should be disclosed. This is the total amount of remuneration paid to the supervisor of the company.

Note 6: The total amount of remuneration paid by the company to each supervisor, Reveal the name of the supervisor in the level of belonging.

Note 7: All companies in the consolidated report should be disclosed (Including the company) the total amount of remuneration paid to each supervisor of the company, Reveal the name of the supervisor in the level of belonging.

Note 8: Net profit after tax refers to the net profit after tax for the most recent (2022) year; The company has adopted international financial reporting standards, Net profit after tax refers to the net profit after tax of the individual financial report for the most recent (2022) year.

Note 9: a. This column should indicate the amount of relevant remuneration received by the company's supervisor from the non-subsiary investment enterprise or the parent company (if none, please fill in "none").

b. If the supervisor of the company has received a transfer investment from a subsidiary company Or related remuneration from the parent company, The company's supervisor should be transferred to an investment business other than a subsidiary or The remuneration received by the parent company is merged into column D of the remuneration scale table, And change the field name to "parent company and all reinvested businesses".

c. Remuneration means that the supervisor of the company serves as the director of the non-subsiary investment business, compensation received by supervisors or managers (Including the remuneration of employees, directors and supervisors) and business execution expenses and other related payment.

\* The remuneration disclosed in this table is different from the income concept of the income tax law. Therefore, the purpose of this form is for information disclosure and not for taxation purposes.

(3-1) Remuneration of the president and vice presidents (individual disclosure of names and remuneration methods):  
not applicable.

(3-2-1) Remuneration of the president and vice presidents (summarize and coordinate the way of revealing names)

| Title   | Name                | Salary(A)<br>Note(2)      |   | Severance Pay (B)<br>Note(10) |   | Bonuses and Allowances (C)<br>Note(3) |   | Employee Compensation (D)<br>Note(4) |                      |  |                      | Sum of A+B+C+D<br>and ratio<br>to net income (%)<br>(Note 8) |   | Remuneration<br>received<br>from<br>investee<br>enterprise<br>s other<br>than<br>subsidiari<br>es or from<br>the parent<br>company<br>(Note 9) |
|---|---------------------|---------------------------|---|-------------------------------|---|---------------------------------------|---|--------------------------------------|----------------------|--|----------------------|--|---|--|
|   |                     | The company               | Companies in the<br>consolidated<br>financial statements<br>Note(5) | The company                   | Companies in the<br>consolidated<br>financial statements<br>Note(5) | The company                           | Companies in the<br>consolidated<br>financial statements<br>Note(5) | The company                          |                      | Companies in the consolidated<br>financial statements<br>Note(5) |                      | The<br>company   | Companies in<br>the<br>consolidated<br>financial<br>statements<br>Note(5) |  |
|   |                     |                           |   |                               |   |                                       |   | Cash                                 | Stock                | Cash   | Stock                |  |   |  |
| Chairman and<br>President   | Wang Shiu<br>Ting   | NTS<br>23,293<br>thousand | NTS<br>28,660<br>thousand   | NTS<br>585<br>thousand        | NTS<br>663<br>thousand  | NTS<br>20,575<br>thousand             | NTS<br>25,375<br>thousand   | NTS<br>43,037<br>thousand            | NTS<br>0<br>thousand | NTS<br>47,537<br>thousand  | NTS<br>0<br>thousand | NTS<br>87,490<br>thousand                                    | NTS<br>102,235<br>Thousand  | NTS<br>0<br>thousand   |
| Senior Vice<br>President  | Wang Shiu Fon       |                           |   |                               |   |                                       |   |                                      |                      |  |                      |  |   |  |
| Representative of<br>Corporate Directors<br>And Vice President                        | Wang Xing Lei       |                           |   |                               |   |                                       |   |                                      |                      |  |                      |  |   |  |
| Vice president, Chief<br>Financial Officer, and<br>Manager of corporate<br>governance | Adam Cheng          |                           |   |                               |   |                                       |   |                                      |                      |  |                      |  |   |  |
| Vice President  | Yan Guo Yin         |                           |   |                               |   |                                       |   |                                      |                      |  |                      |  |   |  |
| Vice President<br>(Appointed on<br>2022.01.01)  | Liu Mei Feng        |                           |   |                               |   |                                       |   |                                      |                      |  |                      |  |   |  |
| Vice President<br>(Appointed on<br>2022.01.01)  | Zhang Qing<br>Xiang |                           |   |                               |   |                                       |   |                                      |                      |  |                      |  |   |  |
| Vice President  | Jin Rui Sen         | Appointed on 2022.12.26.  |   |                               |   |                                       |   |                                      |                      |  |                      |  |   |  |

|                |             |                          |
|----------------|-------------|--------------------------|
| Vice President | Yu Shi Heng | Appointed on 2023.03.06. |
|----------------|-------------|--------------------------|

**(3-2-2) Range of Remuneration**

| Range of Remuneration   | President Name and Deputy President Name                |  |
|-------------------------|---|--|
|                         | The company<br>Note(6)                                  | Companies in the consolidated<br>financial statements<br>Note(7) |
| Under 1,000,000         |   |  |
| 1,000,000 ~2,000,000    |   |  |
| 2,000,000 ~3,500,000    |   |  |
| 3,500,000 ~5,000,000    |   |  |
| 5,000,000 ~10,000,000   | Adam Cheng, Zhang Qing Xiang                            | Adam Cheng, Zhang Qing Xiang                                     |
| 10,000,000 ~15,000,000  | Wang Shiu Fon, Wang Xing Lei, Yan Guo Yin, Liu Mei Feng | Wang Shiu Fon, Yan Guo Yin, Liu Mei Feng                         |
| 15,000,000 ~30,000,000  | Wang Shiu Ting  | Wang Xing Lei  |
| 30,000,000 ~50,000,000  |   | Wang Shiu Ting   |
| 50,000,000 ~100,000,000 |   |  |
| Over 100,000,000        |   |  |
| Total                   | 7   | 7  |

Note 1: The names of the president and vice presidents should be listed separately, and the payment amounts should be disclosed in a summary manner. If the director is also the president or vice president, please fill in this form and the above form (1-1) or (1-2-1) and (1-2-2).

Note 2: It is to fill in the salary and position additions of the president and vice presidents for the most recent (2022) year. Salary includes severance pay.

Note 3: The department fills in the most recent (2022) annual president and vice president bonuses, In-kind provision of incentives, carriage fees, special expenses, various allowances, dormitories, car allocation, etc. And other remuneration amounts. Such as providing housing, When spending on cars and other vehicles or exclusive personal expenses, It should disclose the nature and cost of the assets provided, the actual or fair market rents, Oil and other benefits. If there is a driver, Please note that the relevant remuneration paid by the company to the driver is not included in the payment.

In addition, salary expenses recognized as per IFRS 2 "Share Basic Benefits", including obtaining employee stock options, restricting employee rights, new shares, and participating in cash capital increase subscription for shares, should also be included in the remuneration.

Note 4: It is to fill in the most recent (2022) year approved by the board of directors to assign the president and

The amount of employee compensation for the vice president (including stocks and cash),

If it is impossible to estimate, the proposed distribution amount for this year will be calculated according to the proportion of the actual distribution amount last year.

And should also fill in the third form of the appendix. Net profit after tax refers to the net profit after tax of the most recent (2022) year; the company has adopted the International Financial Reporting Standards, and net profit after tax refers to the net profit after tax of the individual financial report for the most recent (2022) year.

(The actual individual disbursement amount has not yet been determined, and it is estimated this year's proposed disbursement amount based on the actual

disbursement ratio in 2022 and 2021).

Note 5: The total amount of remuneration paid to the president and vice presidents of the Company by all companies (including the company) in the consolidated report should be disclosed.

Note 6: The total amount of remuneration paid by the company to each president and vice president  
Reveal the names of the president and vice presidents in the hierarchies to which they belong.

Note 7: The total amount of remuneration paid to each president and vice president of the company by all companies (including the company) in the consolidated report should be disclosed.

Reveal the names of the president and vice presidents in the hierarchies to which they belong.

Note 8: Net profit after tax refers to the net profit after tax for the most recent (2022) year;

The company has adopted international financial reporting standards,

Net profit after tax refers to the net profit after tax of the individual financial report for the most recent (2022) year.

Note 9: a. This column should clearly state the amount of remuneration received by the president and vice president of the company from the subsidiary company or the parent company (if none, please fill in "none").

b. If the president and vice presidents of the company have received the investment from the subsidiary company

Or related remuneration from the parent company,

The president and vice presidents of the company should be transferred outside the subsidiary to invest in the business

Or the remuneration received by the parent company is incorporated into column E of the remuneration scale table,

And change the field name to "parent company and all reinvested businesses".

c. Remuneration refers to the remuneration received by the president and vice presidents of the company as a director, supervisor or manager of a subsidiary company's non-transfer investment business or parent company.

Remuneration comprises reward (including the remuneration of employees, directors, and supervisors) and business execution expenses and other related compensation.

\* The content of the remuneration disclosed in this table is different from the income concept of the income tax law.

Therefore, the purpose of this form is for information disclosure and not for taxation purposes.

Note 10: The actual amount of Taiwan Bank of Labor Retirement Reserve Fund (The Old Fund) paid in 2022 is NT\$0 thousand. In addition, it is NT\$663 thousand for the withdrawal or withdrawal of retirement pension expenses.

## Remuneration for Presidents and Their Names

21 April 2023

|   | Title  | Name                     | Share value (NT\$) | Cash amount (NT\$) | Total (NT\$)       | Ratio of Total Amount to Net Income (%) |
|---|--|--------------------------|--------------------|--------------------|--------------------|---|
| Managers                                  | Chairman and President   | Wang Shiu Ting           | NT\$0 thousand     | NT\$53,066thousand | NT\$53,066thousand | 3.40%                                   |
|   | Senior Vice President (resigned director after re-election at the general shareholders' meeting on 2022.07.26) | Wang Shiu Fon            |                    |                    |                    |   |
|   | Representative of corporate directors and Vice President   | Wang Xing Lei            |                    |                    |                    |   |
|   | Vice president, Chief Financial Officer, and Manager of corporate governance (Appointed on 2021.09.01)         | Adam Cheng               |                    |                    |                    |   |
|   | Vice President   | Yan Guo Yin              |                    |                    |                    |   |
|   | Vice President (Appointed on 2022.01.01)   | Liu Mei Feng             |                    |                    |                    |   |
|   | Vice President (Appointed on 2022.07.13)   | Zhang Qing Xiang         |                    |                    |                    |   |
|   | Vice President (Appointed on 2022.12.26)   | Jin Rui Sen              |                    |                    |                    |   |
|   | Vice President (Appointed on 2023.03.06)   | Yu Shi Heng              |                    |                    |                    |   |
|   | Assistant Vice President (Appointed on 2021.10.12)   | Lin Ke Qi                |                    |                    |                    |   |
|   | Director   | Wu Zhi Kuan              |                    |                    |                    |   |
|   | Associate  | MANABIT REXIS CAGBABANUA |                    |                    |                    |   |
|   | Associate(Appointed on 2022.09.05)   | Wu Kun Fang              |                    |                    |                    |   |
| Senior Associate(Appointed on 2022.12.01) | Lin Wen Bin  |                          |                    |                    |                    |   |

Note 1: Individual names and titles should be disclosed, but the profit distribution can be disclosed in a summarized manner.

Note 2: This is the amount of employee compensation (including stocks and cash) approved by the board of directors for the distribution of managers in the most recent (2022) year. If it cannot be estimated, the proposed distribution amount for this year will be calculated based on the actual distribution amount last year. Net profit after tax refers to the net profit after tax for the most recent (2022) year; The company has adopted the International Financial Reporting Standards, and the net profit after tax refers to the net profit after tax of the individual financial report for the most recent (2022) year. The actual individual disbursement amount has not yet been determined. It is estimated that the number of allotments proposed for this year is estimated based on the actual allotment ratio in the years of 2022 and 2021.

Note 3: The scope of application of managers, in accordance with the regulations of the Association's Taiwan Finance Certificate No. 0920001301 on March 27, 1992, Its scope is as follows:

- (1) President and equivalent
- (2) Deputy president and equivalent
- (3) Associate and equivalent

(4) Head of Finance Department

(5) Head of Accounting Department

(6) Other persons who have the right to manage affairs and sign for the company

Note 4: Fill in this form in addition to filling in the attached table one and two, if the directors, presidents and deputy presidents receive employee compensation (including stocks and cash)

4. The company and all companies in the consolidated report have paid the company's directors, analysis of the proportion of the total remuneration of the supervisor, the president and vice president in the net profit after tax of the individual financial report, the policy, standard and combination of remuneration, procedures for determining remuneration and its relevance to business performance and future risks:

(1) The company paid the directors, supervisors, and supervisors of the company in the last two years analysis of the proportion of the total remuneration of the president and vice presidents in the after-tax net profit of the individual financial report:

Note: The basis of calculation, page 30-35 directors, supervisors, notes to the remuneration tables of the president and deputy presidents.

| Title                         | 2021 Total remunerations as a percentage of net income (The Company) | 2021 Total remunerations as a percentage of net income (Consolidated) | 2022 Total remunerations as a percentage of net income (The Company) | 2022 Total remunerations as a percentage of net income (Consolidated) |
|-------------------------------|--|---|--|---|
| director                      | 5.6%   | 10.23%  | 3.92%  | 6.19%   |
| Supervisor                    | 0%   | 0%  | 0%   | 0%  |
| president and vice presidents | 6.02%  | 8.00%   | 5.60%  | 6.54%   |

Analysis : The net income after tax in 2023 increased significantly from 2022, but the net income after tax ratio decreased.

(2) Relevance between remuneration policy for the Company directors and management team and business performance and future risks:

The 1st Audit Committee was formed by 3 independent directors following the law and no supervisory position since the Annual General Meeting of Shareholders on June 27, 2012. And, 7 directors of the 15th session (including 4 independent directors) were re-elected at the 2011 Annual General Meeting of Shareholders. Therefore, the remuneration for directors is governed by Article 20: " In the case of a profitable fiscal year, the Company shall allocate not less than 4% but not more than 10% to employee compensation, and not more than 1 percent as profit-sharing compensation to Directors. If the Company still has an accumulated loss in a profitable fiscal year, it shall first set aside the amount to offset the loss and then allocate compensation to employees and Directors proportionately. When employee compensation is paid in stock or cash, the recipients include employees of the parent or subsidiary company who are qualified for certain requirements. The term "employees of parent or subsidiary company who are qualified for certain requirements" as used in this article, authorizes the board of Directors to make separate provisions following the company law. The above Director's compensation shall only be distributed as stock or cash. The distribution of employee and Director's compensation shall be submitted to the shareholders' meeting for resolution and report."

The salary and remuneration paid by the company, including cash remuneration, stock options, dividends, retirement benefits or severance payments, various allowances and other measures with substantial incentives; Its scope is in line with the relevant directors and supervisors in the guidelines for matters to be recorded in the annual report of public companies. Same as the manager's remuneration. To improve the company's directors, the salary and remuneration system for supervisors and managers, the company has established a salary and compensation committee and established "Regulations for the Organization of the Salary and Compensation Committee".

The Salary and Compensation Committee, in a professional and objective position, in accordance with the aforementioned regulations, The salary and remuneration policies and systems of supervisors and managers are evaluated and reported to the board of directors, who put forward suggestions for their decision-making reference. And with the attention of kind managers, faithfully perform the following functions and powers, and submit the suggestions to the board of directors for discussion:

- (1) Establish and regularly review the performance evaluations of directors, supervisors and managers and Policies, systems, standards and structures of salary and remuneration.
- (2) Regularly evaluate and determine the remuneration of directors, supervisors and managers.

When performing the functions and powers mentioned in the preceding paragraph, the salary and remuneration committee of the company shall act in accordance with the following principles:

- (1) The performance evaluation and remuneration of directors, supervisors and managers should refer to the usual level of payment in the industry, and consider individual performance, company operating performance and the rationality of the connection of future risks.
- (2) Directors and managers should not be guided to engage in overstepping in pursuit of remuneration. The company's risk appetite behavior should always be considered.

(3) The proportion of dividends paid for the short-term performance of directors and senior managers and part of the variable salary payment time, should take into account the characteristics of the industry and the nature of the company's business shall be determined. When the company's board of directors discusses the remuneration committee's recommendations, it will comprehensively consider matters such as the amount of salary compensation, payment methods and the company's future risks. In addition, the remuneration paid to managers by the company is authorized by the board of directors to consider the nature and responsibilities of the work, and consider their academic qualifications, experience, skills, and skills.

Factors such as potential development are determined and handled. The company's director's remuneration and the amount of employee's remuneration have been resolved by the board of directors and after reporting the shareholders' meeting, directors' remuneration shall be handled in accordance with the company's "Director's Remuneration and Expenses Planning Scale". In addition, the company's employee compensation is based on the employee's work performance, seniority, the level and special contribution determine the number of bonuses that individual employees should pay. It is handled in accordance with the company's "Employee Dividend Share Measures".

Knowing from the above, the company's policy, standard and combination of remuneration. The procedures for determining remuneration and its correlation with business performance and future risks are in accordance with the company The "Articles of Association" and related "Administrative Measures" shall be handled.

## 4. Implementation of Corporate Governance

### (1) Board of Directors

#### Implementation of Board of Directors

The 2022 board of directors has a total of 7 meetings (15<sup>th</sup> session)

(A) In addition, as of the publication date of the annual report, 12 times in the 15th session; 7 times in the 2022 year. The attendance of director was follows:

| Title  | Name                             | Number of actual attendee (participant) (B) | Attendance by proxy | Actual attendance (participation) rate (%) [B/A] | Note  |
|--|----------------------------------|---|---------------------|--|---|
| Chairman and President                                   | Wang Shiu Ting                   | 7   | 0                   | 100%   | As the publication date of the annual report, board meeting was held 12 times for 15th session and 7 times was in 2022. |
| Director   | TSC Auto ID Technology Co., Ltd. | 7   | 0                   | 100%   |   |
| Representative of corporate directors and Vice President | Wang Xing Lei                    |   |                     |  |   |
| Director   | UMC Capital                      | 6   | 1                   | 85.71%   |   |
| Representative of Corporate Directors                    | Liu Chang Yu                     |   |                     |  |   |
| Independent director                                     | Jhan Cian Long                   | 6   | 1                   | 85.71%   |   |
| Independent director                                     | Lin Bo Sheng                     | 7   | 0                   | 100%   |   |
| Independent director                                     | Fan Hong Shu                     | 7   | 0                   | 100%   |   |
| Independent director                                     | Ma Shu Zhuang                    | 7   | 0                   | 100%   |   |

Other information required to be disclosed:

1. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:

(1) Any matter under Article 14-3 of the Securities and Exchange Act: None.

(2) In addition to the matters referred to above, any dissenting or qualified opinion of an independent director that is on record or stated in writing with respect to any board resolution: None.

2. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted: Detail refer P.106 the resolutions of the shareholders meeting and the board of directors.

3. Disclose information including the evaluation cycle and period(s) of the board of directors' self-evaluations (or peer evaluations) and the evaluation method and content. Refer Table 2(2) Implementation of Evaluations of the Board of Directors.

4. The goal of strengthening the functions of the board of directors in the current year and the most recent year

(For example, setting up an audit committee, enhancing information transparency, etc.) and evaluation of implementation: since June 27, 2010, the company has

In accordance with the provisions of Article 14-4 of the Securities and Exchange Act, an audit committee shall be voluntarily established to replace the supervisory position.

Independent directors convene regular meetings, in which accountants,

Internal auditing and financial accounting units, Report to independent directors and make inquiries about the latest financial report review,

Information such as internal audit results and financial business overview are handled in accordance

| Title  | Name | Number of actual attendee (participant) (B) | Attendance by proxy | Actual attendance (participation) rate (%) [B/A] | Note |
|--|------|---|---------------------|--|------|
| with laws and regulations. The implementation is good. |      |   |                     |  |      |

Note: The actual attendance rate (%) is based on the number of meetings of the board of directors and The actual number of seats (arrivals) is calculated.

| Serial number | Date of Board meeting | Wang Shiu Ting_Chairman and Convener | TSC Auto ID Technology Co., Ltd. Representative: Wang Xing Lei | UMC Capital Representative: Liu Chang Yu | Jhan Cian Long         | Fan Hong Shu | Lin Bo Sheng | Ma Shu Zhuang | Financial Officer | Accountant    | Intercal Audit | Meeting year |
|---------------|-----------------------|--------------------------------------|--|--|------------------------|--------------|--------------|---------------|-------------------|---------------|----------------|--------------|
| 1             | 2022.01.10            | V                                    | V  | V  | V                      | V            | V            | V             | V                 | No Attendance | V              | 2022         |
| 2             | 2022.03.28            | V                                    | V  | V  | V                      | V            | V            | V             | V                 | V             | V              | 2022         |
| 3             | 2022.05.11            | V                                    | V  | Entrust - Wang Shiu Ting                 | V                      | V            | V            | V             | V                 | V             | V              | 2022         |
| 4             | 2022.06.21            | V                                    | V  | V  | Entrust - Fan Hong Shu | V            | V            | V             | V                 | No Attendance | V              | 2022         |
| 5             | 2022.08.10            | V                                    | V  | V  | V                      | V            | V            | V             | V                 | V             | V              | 2022         |
| 6             | 2022.11.09            | V                                    | V  | V  | V                      | V            | V            | V             | V                 | V             | V              | 2022         |
| 7             | 2022.12.28            | V                                    | V  | V  | V                      | V            | V            | V             | V                 | No Attendance | V              | 2022         |
| 8             | 2023.03.15            | V                                    | V  | V  | V                      | V            | V            | V             | V                 | V             | V              | 2023         |

Table 2 Implementation of Board of Directors

| Evaluation cycle  | Evaluation period                          | Evaluation Scope  | Evaluation Method  | Evaluation Content  |
|---|--|---|--|---|
| Performed once a year; the company conducts the performance evaluation of the board of directors of the current year in December each year. | January 1, 2022<br>Until December 31, 2022 | The evaluation objects include the overall operation of the board of directors, functional directors, functional committees, etc. and Performance of individual directors and committee members | Self-evaluation of the overall performance of the internal board of directors, self-evaluation of internal directors,<br>The company is based on the annual operating plan and the comparison and evaluation of the operating performance with peers,<br>Self-evaluation of the overall performance of each functional committee, self-evaluation of internal members of each functional committee | The measurement items for the performance evaluation of the company's internal board of directors and functional committees are based on Article 37 of the company's "Corporate Governance Code" and include five aspects:<br>1. The degree of participation in the company's operations.<br>2. Improve the decision-making quality of the board of directors and functional committees.<br>3. The composition and structure of the board of directors and functional committees.<br>4. The selection and continuing education of directors and functional committee members.<br>5. Internal control.<br>The measurement items for the self-performance evaluation of directors and committee members include six aspects:<br>1. Master the company's goals and tasks.<br>2. Recognition of the duties of directors and committee members.<br>3. The degree of participation in the company's operations.<br>4. Internal relationship management and communication.<br>5. Professional and continuing education of directors and committee members.<br>6. Internal control. |

(2) The operation of the audit committee or the participation of the supervisor in the operation of the board of directors:

(1) Implementation of Audit Committee

A total of 6 meetings of the Audit Committee in 2022 (in 4th session)

(A) ; In addition, as of the publication date of the annual report, there were 11 times in the fourth session; 6 times in 2022.

The attendance of independent directors is as follows :

| Title  | Name           | Number of actual attendee (participant) (B) | Attendance by proxy | Actual attendance (participation) rate (%) [B/A] | Note   |
|--|----------------|---|---------------------|--|--|
| Independent Director (Convener of Audit Committee) | Jhan Cian Long | 5   | 1                   | 83.33%   | As the publication date of the annual report, audit committee meeting was held 11 times for 4th session and 6 times was in |
| Independent Director                               | Lin Bo Sheng   | 6   | 0                   | 100%   |  |

|                      |               |   |   |      |       |
|----------------------|---------------|---|---|------|-------|
| Independent Director | Fan Hong Shu  | 6 | 0 | 100% | 2022. |
| Independent director | Ma Shu Zhuang | 6 | 0 | 100% |       |

Other information required to be disclosed:

1. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:

(1) Any matter under Article 14-5 of the Securities and Exchange Act: None

(2) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors: None

2. The implementation status of independent directors' avoidance of the proposal of interest should state the name of the independent director, the content of the proposal, the reasons for avoiding interests and the situation of participation in voting: please refer to the resolution of the audit committee on page 80 (the relevant content is the same as that of the audit committee).

3. Communication status between independent directors and internal audit supervisors and accountants (including any significant matters communicated about with respect to the state of the company's finances and business and the method(s) and outcomes of the communication): the company's audit supervisor

And the financial supervisor are both present at the audit committee,

Report to independent directors and make inquiries about the latest financial statements, internal audit results,

Financial business overview and other information will be explained by the accountant when reviewing the financial report

The inspection found that the accountants also regularly hold meetings with the company in late March each year.

Regarding the governance matters related to the audit of financial statements in that year,

Communicate with the company's governance unit,

Enable independent directors to assist investors in ensuring corporate governance and

The credibility of information transparency and other aspects to protect the rights and interests of shareholders.

In addition, the monthly audit report will be submitted to the independent directors for review on a regular basis.

The accountant communicated with the governance unit of the company on matters related to the year of 2014: a meeting was held in the morning of March 28, and the accountant communicated with the governance unit of the company in the year 2016: a meeting was held on the afternoon of March 27, and the accountant communicated with the governance unit of the company 2017 Related matters of the year: A meeting was held on the afternoon of March 27, 2018. The accountant communicated with the company's governance unit on related matters of the year 2018:

A meeting was held on the afternoon of March 25th. The accountant and the governance unit of the company were held to communicate relevant matters in the year of 2019: the meeting was held in the afternoon of March 26th. The accountant and the governing unit of the company were held to communicate relevant matters of the year 2020: held in the afternoon of March 26th. meeting; The accountant communicated with the governance unit of the Company for the relevant matters of the year 2021: held in the afternoon of March 28th. meeting; The accountant communicated with the governance unit of the Company for the relevant matters of the year 2022: held in the afternoon of March 15<sup>th</sup>, 2023 . meeting;

The main topics of the 2022 Corporate Governance Conference are as follows:

(1) Responsibilities of inspectors to inspect financial statements

(2) Inspection scope

(3) Independence

(4) Check findings

(5) 2023 financial report review plan

(6) Matters Concerned by the Competent Authority

(7) Updates to important securities control laws and tax laws

| Serial Number | Audit Committee Meeting Date | Jhan Cian Long         | Fan Hong Shu | Lin Bo Sheng | Ma Shu Zhuang | Financial Officer | Accountant    | Internal audit | Financial year |
|---------------|------------------------------|------------------------|--------------|--------------|---------------|-------------------|---------------|----------------|----------------|
| 1             | 2022.03.28                   | V                      | V            | V            | V             | V                 | V             | V              | 2022           |
| 2             | 2022.05.11                   | V                      | V            | V            | V             | V                 | V             | V              | 2022           |
| 3             | 2022.06.21                   | Entrust - Fan Hong Shu | V            | V            | V             | V                 | No Attendance | V              | 2022           |
| 4             | 2022.08.10                   | V                      | V            | V            | V             | V                 | V             | V              | 2022           |
| 5             | 2022.11.09                   | V                      | V            | V            | V             | V                 | V             | V              | 2022           |
| 6             | 2022.12.28                   | V                      | V            | V            | V             | V                 | No Attendance | V              | 2022           |
| 7             | 2023.03.15                   | V                      | V            | V            | V             | V                 | V             | V              | 2023           |

Note 1: If any independent director left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of audit committee meetings held and the number they attended in person during the period they were in office.

Note 2: If any by-election for independent directors was held before the end of the fiscal year, the P. 31 of 91 names of the new and old independent directors should be filled in the table, with a note stating whether the independent director left office, was newly serving, or was serving consecutive terms, and the date of the by-election. The in-person attendance rate (%) should be calculated based on the number of board meetings held and the number attended in person during the period of each such person's actual time in office.

## (2) Implementation of Supervisors in Board of Directors

The company has set up an audit committee to replace the supervisor after the shareholders meeting on June 27, 2012. Since that date, the situation regarding supervisors' participation in the board of directors has no longer applied.

**(3) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” :**

| Evaluation Item   | Implementation Status <sup>1</sup>  |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons  |
|---|-------------------------------------|---|---|
|   | Yes                                 | No  |   |
| 1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?   | ✓                                   |   | <p>The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. The information has been disclosed on the Company’s website.</p> <p>None</p>                        |
| <p>2. Shareholding structure &amp; shareholders’ rights</p> <p>(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?</p> <p>(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?</p> <p>(3) Does the company establish and execute the risk management and firewall system within its</p> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> | <p>(1) According to Article 13 of Chapter 2 of the Company's "Corporate Governance Code",<br/>In this company, the company’s spokesperson or acting spokesperson will handle shareholder’s suggestions or disputes.<br/>Shareholders can raise questions through the phone or the company’s website, such as legal issues,<br/>Appoint a lawyer to assist in the process.</p> <p>(2) According to Article 19 of Chapter 2 of the Company's "Corporate Governance Code",<br/>The company spokesperson or acting spokesperson is responsible,<br/>Every month, the stock representative agency reports information to understand and grasp the company’s actual controlling shareholders and<br/>Information about major shareholders, and liaise with major shareholders as necessary.</p> <p>(3) According to Article 14 of Chapter 2 of the Company's "Corporate Governance Code",<br/>Personnel between our company and affiliated companies,<br/>Assets and financial management objectives and powers and responsibilities should be clarified,<br/>And indeed carry out the risk assessment and establish an appropriate firewall.</p> | <p>(1) Article 13 of the Code of Governance Practices shall be properly handled by a Reasonable dedicated person</p> <p>(2) Consistent with Article 19 of the Code of Governance Practices</p> <p>(3) Consistent with Article 14 and Article 17 of the Code of Governance</p> |

| Evaluation Item   | Implementation Status <sup>1</sup> |    | Abstract Illustration   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|------------------------------------|----|---|--|
|   | Yes                                | No |   |  |
| <p>conglomerate structure?</p> <p>(4) Does the company establish internal rules against insiders trading with undisclosed information?</p>  |                                    |    | <p>In addition, related business and accounting are all operated independently, Employed by a dedicated person and audited by the head office from time to time, In addition, follow the relevant rules set by the company's internal control for the dealings of related enterprises.</p> <p>(4) The company is in the "computer" cycle of the internal control system, The "Internal Important Information Processing Procedure" has been formulated, Including "public information declaration operations, management operations to prevent insider transactions, Financial and non-financial information management operations and professional ethics risk assessment management methods", etc., In addition to issuing announcements to all employees, And has exposed various information in the public information observatory and The company's intranet.ts.com.tw website and The external www.ts.com.tw website is for investment public and employees' reference.</p> <p>In order to establish a good internal major information processing and disclosure mechanism, the company Avoid improper disclosure of information, and ensure the consistency and consistency of information published by the company to the outside world Correctness, and strengthen the prevention of insider trading, Specially formulated the "Management Measures for Internal Major Information Processing and Prevention of Insider Transactions" and "Code of Ethical Conduct."</p> | <p>Practice</p> <p>(4) Consistent with Article 10 of the Code of Governance Practice</p>                       |
| <p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented? (Please refer 1-1 Disclosure of Information Regarding the Professional Qualifications</p> | √                                  |    | <p>1. The company currently has seven directors, including four independent directors. The board of directors of the company shall be accountable to the shareholders' meeting for various tasks related to the corporate governance system and arrangements should ensure that the board of directors the provisions of the company's articles of association or the resolution of the shareholders meeting to exercise its powers. The company's board structure, the</p>   | <p>(1) Consistent with Article 20 and Article 23 of the Code of Governance Practice</p>                        |

| Evaluation Item  | Implementation Status <sup>1</sup> |                                    |   |                      | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |                        |                                    |                    |                                  |            |                 |  |  |  |  |  |                  |                |                      |                                   |                        |                   |                    |                                  |            |                 |                |            |  |  |   |   |   |   |   |   |   |   |   |            |  |  |   |   |   |   |   |   |   |   |  |
|--|------------------------------------|------------------------------------|---|----------------------|--|------------------------|------------------------------------|--------------------|----------------------------------|------------|-----------------|--|--|--|--|--|------------------|----------------|----------------------|-----------------------------------|------------------------|-------------------|--------------------|----------------------------------|------------|-----------------|----------------|------------|--|--|---|---|---|---|---|---|---|---|---|------------|--|--|---|---|---|---|---|---|---|---|--|
|  | Yes                                | No                                 | Abstract Illustration   |                      |  |                        |                                    |                    |                                  |            |                 |  |  |  |  |  |                  |                |                      |                                   |                        |                   |                    |                                  |            |                 |                |            |  |  |   |   |   |   |   |   |   |   |   |            |  |  |   |   |   |   |   |   |   |   |  |
| and Experience of Directors and Supervisors and the Independence of Independent Directors) |                                    |                                    | <p>appropriate number of directors with more than five persons shall be determined in light of the company's business development scale and the shareholding situation of its major shareholders, and in consideration of practical operational needs. The composition of the board of directors should consider diversification, and formulate an appropriate diversification policy based on its own operation, operation type and development needs. It should include but not limited to the following two major standards:</p> <ol style="list-style-type: none"> <li>1. Basic conditions and values: gender, age, nationality and culture, etc.</li> <li>2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.</li> </ol> <p>The members of the board of directors should generally possess the knowledge, skills and accomplishments necessary to perform their duties. To achieve the ideal goal of corporate governance, the company's board of directors has the following capabilities as a whole:</p> <table border="1"> <thead> <tr> <th rowspan="2">Name</th> <th rowspan="2">Gender and Age</th> <th colspan="2">Independent director's office term</th> <th colspan="8">Core item</th> </tr> <tr> <th>Within 3 tenures</th> <th>Over 3 tenures</th> <th>Operational judgment</th> <th>Accounting and financial analysis</th> <th>Operational management</th> <th>Crisis management</th> <th>Industry knowledge</th> <th>International market perspective</th> <th>Leadership</th> <th>Decision-making</th> </tr> </thead> <tbody> <tr> <td>Wang Shiu Ting</td> <td>Male 61-76</td> <td></td> <td></td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>TSC Auto ID Technology Co., Ltd. Representative: Wang</td> <td>Male 41-50</td> <td></td> <td></td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> </tbody> </table> |                      | Name   | Gender and Age         | Independent director's office term |                    | Core item                        |            |                 |  |  |  |  |  | Within 3 tenures | Over 3 tenures | Operational judgment | Accounting and financial analysis | Operational management | Crisis management | Industry knowledge | International market perspective | Leadership | Decision-making | Wang Shiu Ting | Male 61-76 |  |  | √ | √ | √ | √ | √ | √ | √ | √ | TSC Auto ID Technology Co., Ltd. Representative: Wang | Male 41-50 |  |  | √ | √ | √ | √ | √ | √ | √ | √ |  |
| Name   | Gender and Age                     | Independent director's office term |   | Core item            |  |                        |                                    |                    |                                  |            |                 |  |  |  |  |  |                  |                |                      |                                   |                        |                   |                    |                                  |            |                 |                |            |  |  |   |   |   |   |   |   |   |   |   |            |  |  |   |   |   |   |   |   |   |   |  |
|  |                                    | Within 3 tenures                   | Over 3 tenures  | Operational judgment | Accounting and financial analysis  | Operational management | Crisis management                  | Industry knowledge | International market perspective | Leadership | Decision-making |  |  |  |  |  |                  |                |                      |                                   |                        |                   |                    |                                  |            |                 |                |            |  |  |   |   |   |   |   |   |   |   |   |            |  |  |   |   |   |   |   |   |   |   |  |
| Wang Shiu Ting   | Male 61-76                         |                                    |   | √                    | √  | √                      | √                                  | √                  | √                                | √          | √               |  |  |  |  |  |                  |                |                      |                                   |                        |                   |                    |                                  |            |                 |                |            |  |  |   |   |   |   |   |   |   |   |   |            |  |  |   |   |   |   |   |   |   |   |  |
| TSC Auto ID Technology Co., Ltd. Representative: Wang                                      | Male 41-50                         |                                    |   | √                    | √  | √                      | √                                  | √                  | √                                | √          | √               |  |  |  |  |  |                  |                |                      |                                   |                        |                   |                    |                                  |            |                 |                |            |  |  |   |   |   |   |   |   |   |   |   |            |  |  |   |   |   |   |   |   |   |   |  |

| Evaluation Item  | Implementation Status <sup>1</sup> |       |   |   |   |   |   |   |   |   |   |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons                                     |  |  |  |  |  |  |  |  |  |  |  |  |  |      |       |  |  |   |   |   |   |   |   |   |   |                                       |        |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                      |      |       |   |  |   |   |   |   |   |   |   |   |  |
|--|------------------------------------|-------|---|---|---|---|---|---|---|---|---|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|------|-------|--|--|---|---|---|---|---|---|---|---|---------------------------------------|--------|-------|--|---|---|---|---|---|---|---|---|---|-------------------------------------|------|-------|--|---|---|---|---|---|---|---|---|---|-------------------------------------|------|-------|--|---|---|---|---|---|---|---|---|---|--------------------------------------|------|-------|---|--|---|---|---|---|---|---|---|---|--|
|  | Yes                                | No    | Abstract Illustration   |   |   |   |   |   |   |   |   |   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |      |       |  |  |   |   |   |   |   |   |   |   |                                       |        |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                      |      |       |   |  |   |   |   |   |   |   |   |   |  |
| (2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?<br><br>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually? |                                    |       | <table border="1"> <tr> <td>Xing Lei</td> <td></td> </tr> <tr> <td>UMC Capital Representative: Liu Chang Yu</td> <td>Male</td> <td>41-50</td> <td></td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> </tr> <tr> <td>Jhan Cian Long (Independent Director)</td> <td>Female</td> <td>61-75</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> </tr> <tr> <td>Lin Bo Sheng (Independent Director)</td> <td>Male</td> <td>61-75</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> </tr> <tr> <td>Fan Hong Shu (Independent Director)</td> <td>Male</td> <td>51-60</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> </tr> <tr> <td>Ma Shu Zhuang (Independent Director)</td> <td>Male</td> <td>41-50</td> <td>v</td> <td></td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> <td>v</td> </tr> </table>   |   |   |   |   |   |   |   |   |   | Xing Lei   |  |  |  |  |  |  |  |  |  |  |  |  | UMC Capital Representative: Liu Chang Yu | Male | 41-50 |  |  | v | v | v | v | v | v | v | v | Jhan Cian Long (Independent Director) | Female | 61-75 |  | v | v | v | v | v | v | v | v | v | Lin Bo Sheng (Independent Director) | Male | 61-75 |  | v | v | v | v | v | v | v | v | v | Fan Hong Shu (Independent Director) | Male | 51-60 |  | v | v | v | v | v | v | v | v | v | Ma Shu Zhuang (Independent Director) | Male | 41-50 | v |  | v | v | v | v | v | v | v | v |  |
|  | Xing Lei                           |       |   |   |   |   |   |   |   |   |   |   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |      |       |  |  |   |   |   |   |   |   |   |   |                                       |        |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                      |      |       |   |  |   |   |   |   |   |   |   |   |  |
| UMC Capital Representative: Liu Chang Yu   | Male                               | 41-50 |   |   | v | v | v | v | v | v | v | v |  |  |  |  |  |  |  |  |  |  |  |  |  |  |      |       |  |  |   |   |   |   |   |   |   |   |                                       |        |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                      |      |       |   |  |   |   |   |   |   |   |   |   |  |
| Jhan Cian Long (Independent Director)  | Female                             | 61-75 |   | v | v | v | v | v | v | v | v | v |  |  |  |  |  |  |  |  |  |  |  |  |  |  |      |       |  |  |   |   |   |   |   |   |   |   |                                       |        |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                      |      |       |   |  |   |   |   |   |   |   |   |   |  |
| Lin Bo Sheng (Independent Director)  | Male                               | 61-75 |   | v | v | v | v | v | v | v | v | v |  |  |  |  |  |  |  |  |  |  |  |  |  |  |      |       |  |  |   |   |   |   |   |   |   |   |                                       |        |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                      |      |       |   |  |   |   |   |   |   |   |   |   |  |
| Fan Hong Shu (Independent Director)  | Male                               | 51-60 |   | v | v | v | v | v | v | v | v | v |  |  |  |  |  |  |  |  |  |  |  |  |  |  |      |       |  |  |   |   |   |   |   |   |   |   |                                       |        |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                      |      |       |   |  |   |   |   |   |   |   |   |   |  |
| Ma Shu Zhuang (Independent Director)   | Male                               | 41-50 | v   |   | v | v | v | v | v | v | v | v |  |  |  |  |  |  |  |  |  |  |  |  |  |  |      |       |  |  |   |   |   |   |   |   |   |   |                                       |        |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                      |      |       |   |  |   |   |   |   |   |   |   |   |  |
|  |                                    |       | <p>(2) The company has set up a salary committee, The audit committee, Capital Expenditures Committee and Corporate Sustainability Committee Development Committee, etc. consider the effective use of resources after the overall assessment of the company<br/>And there is no need for urgent setup at present, therefore, it is sufficient to replace the establishment of other types of functional committees. However, if business needs increase in the future, it will be set according to actual operating conditions.</p> <p>(3) The company has formulated "Board of Directors Self-evaluation or Peer Evaluation" Performance evaluation methods and "Standard Operating Procedures for Handling Directors' Requirements", in addition;in the "Salary and Compensation Committee Organizational Rules", it has been clearly stipulated in the remuneration committee and the board of directors regularly evaluate the performance of directors and managers. In accordance with the provisions of Article 7 of the Scope of Responsibilities of the "Salary and Compensation Committee Organization Regulations" .The remuneration committee should regularly evaluate the achievement of directors and managers' performance goals. And based on the</p> |   |   |   |   |   |   |   |   |   | <p>(2) Consistent with Article 26 of the Code of Governance Practice</p> <p>(3) Consistent with Article 37 of the Code of Governance Practices</p> |  |  |  |  |  |  |  |  |  |  |  |  |  |      |       |  |  |   |   |   |   |   |   |   |   |                                       |        |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                     |      |       |  |   |   |   |   |   |   |   |   |   |                                      |      |       |   |  |   |   |   |   |   |   |   |   |  |

| Evaluation Item   | Implementation Status <sup>1</sup>   |   | Abstract Illustration  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |   |   |   |  |   |  |
|---|--|---|--|--|---|---|---|--|---|--|
|   | Yes  | No  |  |  |   |   |   |  |   |  |
|   |  |   | <p>evaluation results obtained from the performance evaluation standards, determine the content and amount of remuneration and submit it to the shareholders meeting. The relevance and reasonability report of the relevant evaluation results are as follows:</p> <table border="1"> <tr> <td>Evaluation mechanism of the board of directors, functional committees, etc.</td> <td>2022 performance self-evaluation results of the board of directors, functional committees, etc.</td> <td>The content and amount of directors' and managers' salary and remuneration are related to the results of performance evaluation and rationality</td> </tr> <tr> <td>To implement corporate governance, the company's board of directors approved "Taiwan Semiconductor Co., Ltd. Remuneration Committee Organization Rules" and "Board Performance Evaluation Method", The performance evaluation of the board of directors of the current year is conducted in</td> <td>           1. Evaluation period: January 1, 2022 to December 31, 2022<br/>           2. The result of internal board of directors' overall performance self-assessment:<br/>           (1) Involvement in the Company's operation: good - excellent<br/>           (2) Enhancement of the quality of the board's decision-making: good - excellent<br/>           (3) Makeup and structure of the         </td> <td>           The remuneration of the directors of the company is in accordance with Article 20 of the company's articles of association.<br/>           It may be the remuneration of the directors of the current year within the limit of 1% of the profit of the current year, and consider the company's operating results, and consider its contribution to the         </td> </tr> </table> | Evaluation mechanism of the board of directors, functional committees, etc.                                    | 2022 performance self-evaluation results of the board of directors, functional committees, etc. | The content and amount of directors' and managers' salary and remuneration are related to the results of performance evaluation and rationality | To implement corporate governance, the company's board of directors approved "Taiwan Semiconductor Co., Ltd. Remuneration Committee Organization Rules" and "Board Performance Evaluation Method", The performance evaluation of the board of directors of the current year is conducted in | 1. Evaluation period: January 1, 2022 to December 31, 2022<br>2. The result of internal board of directors' overall performance self-assessment:<br>(1) Involvement in the Company's operation: good - excellent<br>(2) Enhancement of the quality of the board's decision-making: good - excellent<br>(3) Makeup and structure of the | The remuneration of the directors of the company is in accordance with Article 20 of the company's articles of association.<br>It may be the remuneration of the directors of the current year within the limit of 1% of the profit of the current year, and consider the company's operating results, and consider its contribution to the |  |
| Evaluation mechanism of the board of directors, functional committees, etc.   | 2022 performance self-evaluation results of the board of directors, functional committees, etc.  | The content and amount of directors' and managers' salary and remuneration are related to the results of performance evaluation and rationality   |  |  |   |   |   |  |   |  |
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| Evaluation Item | Implementation Status <sup>1</sup> |    |  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|-----------------|------------------------------------|----|--|--|
|                 | Yes                                | No | Abstract Illustration  |  |
|                 |                                    |    | <p>December each year.</p> <p>The evaluation objects include the board of directors, The overall operation status of each functional committee and the performance of individual directors and committee members, and submit the evaluation results and improvement plans to the board of directors.</p> <p>The measurement items for the performance evaluation of the company's internal board of directors and functional committees are based on Article 37 of the company's "Corporate Governance Code" and include five aspects:</p> <p>1. The degree of participation in the</p> <p>board: good - excellent</p> <p>(4) Election of board members and continuing knowledge development: good - excellent</p> <p>(5) Internal controls: excellent</p> <p>3. Results of self-evaluation by internal directors: The evaluation results are excellent.</p> <p>4. Comparison of the annual operating performance between the Company and the same industry: excellent</p> <p>5. The result of functional committee' s overall performance self-assessment:</p> <p>(1) Involvement in the Company's operation: excellent</p> <p>company's performance, and give reasonable remuneration; The policies and procedures for the remuneration of managers are based on the company's "Payroll Cycle Management Measures" and the salary level of the position in the industry market, the scope of rights and responsibilities of the position in the company, and Remuneration for contribution to the company's operating goals. The procedure for determining the remuneration is based on the company's "Annual Performance Appraisal Method".</p> |  |

| Evaluation Item | Implementation Status <sup>1</sup> |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons   |   |  |
|-----------------|------------------------------------|----|---|--|---|--|
|                 | Yes                                | No | Abstract Illustration   |  |   |  |
|                 |                                    |    | <p>company's operations.</p> <p>2. Improve the quality of board decisions.</p> <p>3. The composition and structure of the board of directors.</p> <p>4. The selection and continuing education of directors.</p> <p>5. Internal control. The measurement items for the self-performance evaluation of board members include six aspects:</p> <p>1. Master the company's goals and tasks.</p> <p>2. Awareness of directors' responsibilities.</p> <p>3. The degree of participation in the company's operations.</p> <p>4. Internal relationship management and communication.</p> | <p>(2) Enhancement of the quality of the board's decision-making: excellent</p> <p>(3) Makeup and structure of the board: excellent</p> <p>(4) Election of board members and continuing knowledge development: excellent</p> <p>(5) Internal controls: excellent</p> <p>6. Results of self-evaluation by functional committee: The evaluation results are excellent.</p> <p>7. Results of self-evaluation by the board of directors and functional committee are reported to the Board of Directors on March 15, 2023.</p> | <p>In addition to referring to the company's overall operating performance, future business risks and development trends of the industry, it also refers to the individual's performance achievement rate and contribution to the company's performance, and gives reasonable remuneration.</p> <p>Relevant performance appraisal and salary reasonableness have been reviewed by the salary and compensation committee and the board of directors.</p> <p>And review the remuneration system in a timely manner based on</p> |  |

| Evaluation Item   | Implementation Status <sup>1</sup> |    |   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|---|------------------------------------|----|---|--|
|   | Yes                                | No | Abstract Illustration   |  |
| (4) Does the company regularly evaluate the independence of CPAs? |                                    |    | <p>5. Professional and continuing education of directors</p> <p>6. Internal control.</p> <p>the actual operating conditions and relevant laws and regulations, In order to balance the company's sustainable operation and risk control.</p>  | (4) Consistent with Article 29 of the Code of Governance Practices   |
|   |                                    |    | <p>(4)The company in accordance with the Code of Practice for Corporate Governance of Listed Companies Article 29 Paragraph 2 stipulates that companies listed on the OTC shall be regular (at least once a year). Assess the independence and competence of the appointed accountant.</p> <p>The review is held regularly for the first time each year. In the Planning Committee and the Board of Directors, refer to the "Integrity, Fairness, Objectivity, and Independence" of the Republic of China Accountants Code of Professional Ethics Bulletin No. 10, and Matters listed in Article 46 and Article 47 of the Accountants Act, the company's finance department will check the competence and independence of certified public accountants, and issue the "Applicability and Independence Assessment Form for Appointed Accountants", and submit it together with the "Declaration of Transcendent Independence and Competency" issued by certified public accountants. The company's audit committee and board of directors, It will be discussed and evaluated by the directors. The main key points of the assessment are as follows:</p> <ol style="list-style-type: none"> <li>1. Matters of financial interest</li> <li>2. Financing and guarantee</li> <li>3. Close business relationship with audit clients</li> <li>4. To be hired or to act as an audit client</li> </ol> |  |

| Evaluation Item  | Implementation Status <sup>1</sup> |    | Abstract Illustration  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|------------------------------------|----|--|--|
|  | Yes                                | No |  |  |
|  |                                    |    | <p>5. Non-audit business matters: such as evaluation service matters, accounting services, internal services, short-term personnel dispatch services, recruitment of high-level management personnel, corporate financial services</p> <p>6. Other matters: such as gifts and gifts, remuneration and commissions</p>  |  |
| <p>4. Whether the listed OTC company allocates competent and appropriate number of corporate governance personnel, and appoints a corporate governance supervisor, Responsible for Corporate governance related matters (Including but not limited to providing information required by directors and supervisors to perform business, assisting directors, Supervisors comply with laws and regulations, handle matters related to meetings of the board of directors and shareholders meeting in accordance with the law, Make minutes of board of directors and shareholders meetings, etc.)?</p> | ✓                                  |    | <p>According to the company’s "Corporate Governance Code", the company should deploy competent and appropriate number of corporate governance personnel in accordance with the company's scale, business conditions and management needs, and should comply with the competent authority, The stock exchange or over-the-counter trading center stipulates that a director of corporate governance is designated, To be the top executive responsible for corporate governance-related matters, he should obtain a lawyer, accountant qualifications or in securities, finance, futures related institutions or public offering companies are engaged in legal affairs, compliance with laws and regulations, internal audits, finance, stock affairs or the position in charge of the corporate governance-related affairs unit has been at least three years.</p> <p>The Vice President of the Administration Division who is the Head of Corporate Governance is in charge of the Company's corporate governance-related affairs. And staffs of corporate governance from relevant units are responsible for corporate governance affairs. The Head of Corporate Governance is having more than five years of experience in charge of finance, accounting, or corporate governance-related affairs and the main responsibilities are to be responsible for supervising and implementing corporate governance.</p> | Comply with the Code of Practice on Corporate Governance for Listed Companies                                  |

| Evaluation Item   | Implementation Status <sup>1</sup> |    | Abstract Illustration   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons      |
|---|------------------------------------|----|---|---|
|   | Yes                                | No |   |   |
|   |                                    |    | <p>The matters related to corporate governance in the preceding paragraph shall at least include the following:</p> <ol style="list-style-type: none"> <li>1. Handle matters related to meetings of the board of directors and shareholders meeting in accordance with the law.</li> <li>2. Prepare the minutes of the board of directors and shareholders' meetings.</li> <li>3. Assist directors and supervisors to take office and continue their education.</li> <li>4. Provide information necessary for directors and supervisors to perform their business.</li> <li>5. Assist directors and supervisors to comply with laws and regulations.</li> <li>6. Other matters stipulated in the company's articles of association or contract.</li> </ol> <p>The management actually fulfills its responsibilities and implements the corporate governance system.</p> <p>In addition; according to the company's "Guidelines for Board Meetings", "Regulations for the Organization of the Salary and Compensation Committee", The Finance Department of the General Management Office is responsible for related corporate governance affairs;</p> <p>In addition, the company implements RBA social responsibility in accordance with the requirements of RBA standards.</p> <p>And appointed the vice president of the general management office as the company's social responsibility management representative, responsible for supervising the operation of the RBA management system.</p> |   |
| 5. Whether the company has established relationships with stakeholders (including but not limited to shareholders, employees, customers and Suppliers, etc.) communication channels, and set up a special area for stakeholders on the company's website, and appropriately | ✓                                  |    | <p>The Company has established materiality analysis and identification in compliance with GRI Standards. The Company adopts the principles of identifying material topics through 5 steps: identification, evaluation, analysis, review, and confirmation. Such principles not only reflect the economic, environmental, and social/demographic and the actual and potential influence caused by the Company's operations but also serve as an important basis for an overall review and continuous refinement of sustainability management and performance.</p> <p>To define the 21 actual and potential shock identifications, the Company refers the many local and international corporate sustainability investment ratings, such as the Dow Jones Sustainability Index (DJSI), Carbon Disclosure Project (CDP),</p>   | Consistent with Article 46, Article 47, Article 48, and Article 49 of the Code of Practice for Corporate Governance |

| Evaluation Item  | Implementation Status <sup>1</sup> |    | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons  |
|--|------------------------------------|----|---|
|  | Yes                                | No |   |
| respond to important corporate social responsibility issues that stakeholders are concerned about? |                                    |    | <p>Sustainability Accounting Standards Board (SASB), Corporate Sustainability Assessment (CSA), Sustainable Development Goals (SDGs), Industry regulations, concerns of upstream and downstream benchmarking companies, stakeholder expectations and expert advice. During the evaluation phase, the Company’s Sustainable Development Committee will assess the significance of the impact based on the degree of influence and possibility. Meanwhile, the Company will send a questionnaire to key stakeholders to gauge their interest in sustainability issues. The impact assessment results were analyzed and ranked, and six key themes were identified by combining stakeholder feedback and industry concerns. The six key themes for 2022 are Customer Relationship Management, Human Resource Management, Climate Change Mitigation and Strategy, Employee Safety and Health, Responsible Products, and Environmental Pollution Prevention.</p> <p>The company has now disclosed the stakeholder area on the website <a href="http://www.ts.com.tw">www.ts.com.tw</a> and Investor relationship processing window, And appropriately respond to important corporate social responsibility issues that stakeholders are concerned about.</p> <p>The company respects the relevant rights and interests of stakeholders, When the legitimate rights and interests of the interested parties are infringed, the company will properly handle it in accordance with the principle of good faith:</p> <ol style="list-style-type: none"> <li>1. Corresponding banks and creditors: the company’s financial supervisor or cashier directly communicates with them, and provides sufficient information for its management decision.</li> <li>2. Employees: Directly through the company’s internal complaint channels in writing or by mail, The manager of the management department communicates with it.</li> <li>3. Consumers: The business supervisor or salesperson communicates directly with them, responding to customer requests and</li> </ol> |

| Evaluation Item  | Implementation Status <sup>1</sup> |    | Abstract Illustration   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons                     |
|--|------------------------------------|----|---|--|
|  | Yes                                | No |   |  |
|  |                                    |    | <p>Product comments, and resolve related issues immediately.</p> <p>4. Supplier:<br/>The purchasing supervisor and purchasing staff accept their suggestions and communicate and coordinate with the appropriate parties.</p> <p>5. Community or company stakeholders:<br/>The company spokesperson or acting spokesperson will communicate with it on behalf of the company. If it is near the factory, the factory manager communicates with the nearby communities on behalf of the company.</p> <p>6. Stakeholder Engagement<br/>The Company values and listens to the voice of the stakeholders. The eight key stakeholders are identified by the list of groups or individuals, internal or external, who influence or are influenced by the operations of the Company, which is discussed and reviewed by the departments under the Company’s Sustainable Development Committee, and with reference to the AA1000 Stakeholder Engagement Standard (SES) Top 5 Principles. The eight key stakeholders are suppliers, customers, employees, investors, government, media, the public, and academic institutions. The Company holds regular and occasional multi-faceted communication with stakeholders to understand the actual and potential impact of our operations on stakeholders and to inform the future planning of relevant preventive and mitigating actions.</p> |  |
| 6. Does the company appoint a professional stock agency to handle the affairs of the shareholders meeting?   | ✓                                  |    | The company appointed the agency department of China Trust Commercial Bank to handle the company’s all the affairs of the shareholders meeting.   | Consistent with Article 7 of the Code of Practice on Corporate Governance  |
| 7. Information disclosure<br>(1) Does the company set up a website to expose financial business and corporate governance information?<br>(2) Whether the company adopts other information disclosure | ✓<br><br>✓                         |    | <p>The company’s website www.ts.com.tw has been revealed on the website</p> <p>Relevant information is as follows:</p> <p>(1) Financial information<br/>(2) Corporate Governance Meeting<br/>(3) Resolutions of the board of directors<br/>(4) Dividend and stock price information<br/>(5) Revenue information</p>   | In accordance with Article 50, Article 51, Article 52 of the Code of Practice for Corporate Governance, Compliance with Article 53 |

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|--|------------------------------------|----|---|--|
|  | Yes                                | No |   |  |
| <p>methods (such as setting up an English website, Designate a person to be responsible for the collection and disclosure of company information, implementation of the spokesperson system, Place the company website during the corporate briefing session, etc.)?</p> <p>(3) Whether the company makes an announcement and declares within two months after the end of the fiscal year annual financial report, and an early announcement and report for the first, second and third quarters before the specified deadline</p> <p>Financial report and operating conditions in each month?</p> |                                    |    | <p>(6) The company's articles of association and relevant operating procedures for obtaining or disposing of assets, fund lending, and endorsement guarantees</p> <p>(7) Dharma Talks</p> <p>(8) Organization and operation of internal audit</p> <p>(9) Company organizational structure</p> <p>(10) Corporate Social Responsibility</p> <p>(11) Column for Shareholders' Questions</p> <p>(12) Information about the appointment of independent directors</p> <p>(13) Investor relationship processing window</p> <p>(14) Important information</p> <p>(15) Electronic voting in the shareholders meeting</p> <p>(16) Self-assessment report on corporate governance</p> <p>(17) Special area for interested parties</p> <p>(18) The shareholders' meeting adopts a case-by-case vote</p> <p>(19) Information Security Zone</p> <p>The company has established an information security risk management framework, including</p> <p>(1) System emergency recovery plan</p> <p>(2) Information communication policy and network data security management</p> <p>(3) Internal major information processing and prevention of insider transaction management</p> <p>Measures and other information security policies and the specific management plan is disclosed on the company's website www.ts.com.tw; in addition, a dedicated person is designated to collect and disclose company information, set up a spokesperson and agent spokesperson system, and set up investor mailboxes to respond to investments immediately. The relevant information that the company needs to disclose in accordance with the law is immediately announced to investors in the "Public Information Observatory" for understanding and inquiries.</p> <p>(4) The company announces and declares its annual financial report in accordance with relevant</p> |  |

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|--|------------------------------------|----|---|--|
|  | Yes                                | No |   |  |
|  |                                    |    | <p>Regulations reports, quarterly financial reports and monthly operating conditions:</p> <ol style="list-style-type: none"> <li>1. After the end of each fiscal year, the company will announce and report its annual financial report information within three months of the prescribed period.</li> <li>2. After the end of the first quarter, second quarter and third quarter of each fiscal year of the company, announce and report quarterly financial report information within 45 days within the prescribed period.</li> <li>3. The company announces and declares last month’s operating income information and last month’s various items before the tenth of each month product business revenue statistics information.</li> </ol>   |  |
| <p>8. Does the company have other important information that helps to understand the corporate governance and operation of the company?<br/>(Including but not limited to employee rights, employee care, investor relations, supplier relations, the rights of interested parties, the situation of directors and</p> | √                                  |    | <p>In addition to handling in accordance with the "Company Governance Code", the company<br/>There is also " RBA Policy and Target Management Measures",<br/>"Environmental and social rules and regulations for handling exceptions",<br/>"Professional Ethics Risk Assessment Management Measures", "Social Responsibility Risk Assessment Management Measures",<br/>" RBA Policy and Target Management Measures" etc. are hereby followed.<br/>Other relevant information is explained as follows:<br/>(1) Employees' rights and interests:<br/>The company has an employee welfare committee to coordinate various Employee welfare matters, and is committed to personnel training, and actively encourage Employees participate in various training courses and convene regular labor-management meetings and set up a suggestion box and conducted staff opinion survey to understand the ideas of both parties to achieve a win-win situation for labor and capital.<br/>(2) Employee Care:</p> | Comply with the Code of Practice on Corporate Governance for Listed Companies                                  |

| Evaluation Item  | Implementation Status <sup>1</sup> |    | Abstract Illustration   | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|--|------------------------------------|----|---|--|
|  | Yes                                | No |   |  |
| supervisors' training, risk management policies and the implementation of risk measurement standards, the implementation of customer policies, the company as a director, and How does the supervisor purchase liability insurance, etc.)? |                                    |    | <p>The heads of various departments of the Company hold meetings from time to time to share the Company’s development strategies with the employees. They are concerned and care about the physical and mental conditions of the employees. And the Company hold regular health check-ups and occupational health talk to care about the employee’s health.</p> <p>(3) Investor relations:<br/>The company convenes a shareholder meeting every year in accordance with the Company Act and related laws and regulations, it also gives shareholders ample opportunities to ask questions or make proposals. Investors can call, express opinions by e-mail and other methods. And has a spokesperson system to deal with shareholder suggestions and doubts and disputes. The company also based on the competent authority’s regulations for handling relevant information announcements and declaration matters in a timely manner provide various information that may affect investors' decision-making.</p> <p>(4) Supplier relationship:<br/>The Company maintains a good communication and relationship with correspondent banks, employees, consumers and suppliers, etc.</p> <p>(5) Rights of interested parties:<br/>The company has spokespersons and acting spokespersons to communicate directly with stakeholders, respect and protect their legitimate interests.</p> <p>(6) The situation of directors and supervisors' advanced training:<br/>The directors of the company all have industry professional background and practical experience in operation and management.<br/>The company also provides corporate governance-related courses to directors from time to time.</p> <p>(7) Implementation of risk management policies and risk measurement standards:<br/>The Company has established various internal rules and systems in accordance with the law to manage and assess various risks.</p> <p>(8) Implementation of customer policy:</p> |  |

| Evaluation Item  | Implementation Status <sup>1</sup> |    | Abstract Illustration  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons   |
|--|------------------------------------|----|--|--|
|  | Yes                                | No |  |  |
|  |                                    |    | The company maintains a good communication and relationship.<br>(9) The Company maintains annual directors' and supervisors' liability insurance in the amount of US\$10 million and product business liability insurance in the amount of US\$175 million to enhance the protection of shareholders' interests.   |  |
| 9. Issued by the Corporate Governance Center of Taiwan Stock Exchange Co., Ltd. in the most recent year<br><br>The results of the corporate governance appraisal indicate that the situation has been improved, and prioritize strengthening of those that have not yet been improved matters and measures                                   | ✓                                  |    | According to the 9th Corporate Governance Evaluation, the evaluation year: 2022, The final evaluation score of the Company: 64.09points; ranking distance: 21% - 35%; The company exposes English information on the website, sets up other various functional committees, and the Corporate Sustainability report needs to be strengthened. The company has implemented RBA social responsibility, which is based on "integrity governance", "people-oriented", "cherish resources", and "caring for society". Concept, and then implement and meet the implementation guidelines of RBA policy.  | Comply with the Code of Practice on Corporate Governance for Listed Companies  |
| 10. Does the company have a self-assessment report on corporate governance or entrust other professional institutions? Corporate Governance Evaluation Report? (If yes, please state the opinions of the board of directors, Self-evaluation or outsourcing evaluation results, main deficiencies or suggestions, and improvements) (Note 2) | ✓                                  |    | The company complies with the provisions of the handling standards for the establishment of an internal control system by the public issuing company, Consider the overall operating activities of the company and its subsidiaries, design and implement their internal control system is reviewed at any time to respond to changes in the company's internal and external environments to ensure the continuous and effective design and implementation of the system.<br>The establishment or amendment of the internal control system shall be approved by more than half of all members of the audit committee and a resolution of the board of directors shall be submitted; if independent directors have objections or reservations, it should be stated in the minutes of the board of directors.<br>In addition to the company's self-assessment of the internal control system, the board of directors | It is consistent with Article 3 of the Code of Practice for Corporate Governance. As for entrusting other professional institutions to handle corporate governance evaluation reports, the future will depend on the company's organizational scale and structure. |

| Evaluation Item | Implementation Status <sup>1</sup> |    | Abstract Illustration  | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons |
|-----------------|------------------------------------|----|--|--|
|                 | Yes                                | No |  |  |
|                 |                                    |    | <p>and the management also regularly review the results of the self-assessment of each department every year and quarterly reviews the audit reports of the auditing units, which are followed and supervised by the audit committee. The evaluation of the effectiveness of the internal control system has been approved by more than half of all members of the audit committee, and a resolution of the board of directors has been proposed.</p> <p>The management of the company also attaches great importance to internal auditing units and personnel, and gives full authority to them.</p> <p>Urge it to check and evaluate the deficiencies of the internal control system and measure the efficiency of operations to ensure that the system can be continuously and effectively implemented,</p> <p>And assist the board of directors and management to fulfill their responsibilities, and then implement the corporate governance system.</p> <p>To implement the internal control system, strengthen the professional capabilities of internal auditors’ agents to improve and maintain audit quality and execution efficiency</p> <p>As a result, the company has also set up a duty agent for internal auditors, and the duty agent also has the legal qualifications for auditors. The company is in accordance with the internal control system processing guidelines</p> <p>Self-evaluation, as of the printing date of the annual report, there has been no commissioned professional organization. It will be handled in accordance with laws and regulations in the future.</p> |  |

Note 1: Regardless of whether the operation status is checked "Yes" or "No", it should be stated in the summary description column.

Note 2: The self-evaluation report on corporate governance refers to the self-evaluation project based on corporate governance.

Be evaluated and explained by the company itself, Reports on the current company operation and implementation status in the respective evaluation projects.

(4) If the company has a remuneration committee, it shall disclose its composition, responsibilities and operation conditions:

1. The company is based on March 18th, 100th year of the Republic of China  
The Financial Supervision and Administration Commission of the Executive Yuan issued by Order No. 1000009747 "The establishment of the Salary and Compensation Committee of Companies Listed in Stocks or Trading Companies in the Business Offices of Securities Firms and Regulations for the Exercising of Powers and the Organizational Rules of the Company's Salary and Compensation Committee.
2. The company was determined by the 10th meeting of the 11th board of directors on December 23, 2011. The company's remuneration committee organization rules and the appointment of Mr. Fan Hong Shu, Mr. Lin Bo Sheng, and Mr. Jhan Cian Long as members of the company's first remuneration committee, and through the election of member Fan Hong Shu as the convener of the committee and chairman of the meeting. The term of office shall be effective after the approval of the board of directors until June 14, 2013, which is the same as the expiration date of the term of the current board of directors.
3. The company was re-elected by the second resolution of the 12th board of directors on July 6, 2012  
The term of the second term of the remuneration committee of the company will be effective after the approval of the board of directors until June 26, 2015, which is the same as the 12th term of the board of directors. And hired Mr. Fan Hong Shu and Mr. Lin Bo Sheng, Mr. Jhan Cian Long and three others served as members of the second salary and remuneration committee of the company.
4. The company was re-elected by the second resolution of the 13th board of directors on June 26, 2015. The term of the company's third term of the Salary and Compensation Committee will be effective after the approval of the board of directors until June 17, 2018, which is the same as the deadline of the 13th term of the board of directors. And hired Mr. Fan Hong Shu, Mr. Lin Bo Sheng, Mr. Jhan Cian Long and three others served as members of the third session of the Salary and Compensation Committee of the company. After the resolution of all members of the Remuneration Committee,  
It was unanimously approved to elect Committee Member Lin Bosheng as the convener and chairman of the meeting.
5. The company was re-elected by the second resolution of the 15th board of directors on August 10, 2021. The term of the Company's 5th Salary and Compensation Committee will be effective after the approval of the Board of Directors until July 25, 2024. The term of the 15th Board of Directors expires. And hired Mr. Fan Hong Shu, Mr. Lin Bo Sheng, Mr. Jhan Cian Long and three others served as members of the 5th Salary and Compensation Committee of the Company. After the resolution of all members of the Remuneration Committee, it was unanimously approved to elect member Fan Hong Shu to serve as the convener of the current session of the committee and chairman of the meeting.
6. The 4th Salary and Compensation Committee will meet once in 2021.  
The relevant proposals were reviewed and passed as follows:
  - (1) Discuss and review the results of the performance evaluation of directors and managers of the company in 2020 and relevance and reasonableness of salary and compensation.
  - (2) Discuss and approve the review of the company's directors and managers for the year 2020  
The actual payment situation of various salaries and remunerations.
  - (3) Discuss and approve the review of the company's 2020 director's remuneration and employee remuneration case.
  - (4) Discuss and approve the review of the company's directors as of the third quarter of 2020 and  
Manager performance appraisal case.
  - (5) Discuss and approve the remuneration proposal for directors and managers in 2021.
  - (6) Discuss and approve the work plan of the Republic of China for 2021 of the Company's Salary and Compensation Committee.

7. As of the printing date of the annual report, the 5th Salary and Compensation Committee has been convened 7 times in total. Among them, there were 3 meetings in 2022; 1 meeting in 2023, The relevant proposals were reviewed and passed as follows:
- (1) Discuss and review the results of the company's 2021 director and manager performance evaluation and relevance and reasonableness of salary and compensation.
  - (2) Discuss and pass the review of the company's directors and Proposal on the actual payment of various salaries and remunerations for managers in 2021.
  - (3) Discuss and review the results of the company's 2021 director and manager performance evaluation and relevance and reasonableness of salary and compensation.
  - (4) Discuss and approve the review of the company's Salary and Compensation for new executive manager appointments
  - (5) Discuss and approve the review of the company's director and executive manager performance external evaluation report as at 3rd quarter 2022.
  - (6) Discuss and pass the proposal of the remuneration for Chairman and Management Team for 2023.
  - (7) Discuss and review the proposal planning of the Salary and Compensation Committee for 2023
  - (8) Discuss and review the results of the company's 2022 director and manager performance evaluation and relevance and reasonableness of salary and compensation.
  - (9) Discuss and pass the review of the company's directors and Proposal on the actual payment of various salaries and remunerations for managers in 2022.
  - (10) Discuss and approve the review of the company's 2022 director's remuneration and employee remuneration case.

#### Remuneration Committee Member Information

| Identity<br>(Note 1)    | Condition<br>Name | <u>Professional qualifications and experience (Note2)</u>   | Independence(Note 3)  | Also served as<br>a member of<br>remuneration<br>committees for<br>how many<br>other<br>companies |
|-------------------------|-------------------|---|---|---|
| Independent<br>director | Jhan Cian<br>Long | <p>PhD in Accounting, Nova University<br/>Professor and Head of Department of Accounting, Soochow University<br/>Dean of Soochow University Business School<br/>Dean of Soochow University<br/>Independent Director and Member of Compensation Committee of Yatai Imaging Co., Ltd.<br/>Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd.<br/>Member of the Audit Committee of Taiwan Semiconductor Co., Ltd. (Convener)<br/>Independent Director and Audit Committee Member of CABIQI International Co., Ltd.<br/>Independent Director of Taiwan Salt Industry Co., Ltd.<br/>Independent Director of Asia Optical Co., Ltd.<br/>Independent Director of Excelsior Medical Co., Ltd.<br/>Director of Helianshuo Co., Ltd.</p> <p>Mr. Jhan is an expert in finance, accounting, international trading, taxation, etc., and corporate governance. And he is an independent director for over 3 tenures (9 years) and no circumstance under any subparagraph of Article 30 of the Company Act exists.</p> | <p>The Company's Compensation Committee consists of four members; three of whom are chosen by independent directors to ensure objectivity, professionalism, and fairness of the committee while avoiding any conflicts of interest those members may have with the company. The Compensation Committee shall practice duty of care when performing the following responsibilities and answering to the board of directors as required by forwarding all recommendations it makes to the board for discussion, including:<br/>(1) reviews the company's remuneration policies and plans for a regular basis<br/>(2) regularly review the performance appraisal of directors and managers, the compensation policy, system, standard and structure. The review report will included in Annual Report.</p> | 0   |

|  |              |  |  |   |
|--|--------------|--|--|---|
|  |              | Also, he provides criticisms and comments on the operation of the company, which is a great contribution to the Company during he acts as an independent director. Therefore, he can enhance the quality of corporate governance and supervision of audits when he acts as an independent director and audit committee.  | (3) regularly review the performance evaluation, salary and compensation of directors (members of Audit Committee) and managers, and the industry standard shall be taken into consideration, as well as the reasonableness of the correlation between individual performance, company performance and future risks. The review report will included in Annual Report and report in the board meeting.<br>(1) Per the Corporate Governance Best Practice Principles, all independent directors and non-independent directors are elected by the candidate nomination system. The company review in advance the qualifications, education, working experience, and background, and they or their spouse or any relative within the second degree should serve as a director, supervisor, or employee of the Company or any of its affiliates to the director candidates recommended by shareholders or directors, and the Company may not arbitrarily add requirements for documentation of other qualifications. |   |
| Independent Director                                   | Lin Bo Sheng | Ph.D. in Economics, Johns Hopkins University, Associate Professor, Professor, Department of International Trade and Economics, National Chengchi University, Director and Department, Director of Zhengda International Trade Office, Director of Hualu Venture Capital (Stock) Company, Member of Remuneration Committee of Jinghua Hotel, Independent director and member of the Salary and Compensation Committee of Datong World Technology (Stock) Company, Independent Director of Dynamic Electronics (Convener of Audit Committee) and Member of Compensation Committee (Convener) Adjunct Professor of the Department of International Trade and Economics, National Chengchi University Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd. Member of the Audit Committee of Taiwan Semiconductor Co., Ltd.<br><br>Mr. Lin is an expert in finance, accounting, international trading, taxation, etc., and corporate governance. And he is an independent director for over 3 tenures (9 years) and no circumstance under any subparagraph of Article 30 of the Company Act exists. Also, he provides criticisms and comments on the operation of the company, which is a great contribution to the Company during he acts as an independent director. Therefore, he can enhance the quality of corporate governance and supervision of audits when he acts as an independent director and audit committee. | (2) The independent directors shall be verified by the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies and the Article 14-2 of the Securities and Exchange Act for the period of election two years before and during their tenure.  | 0 |
| Independent Director (Remuneration Committee Convener) | Fan Hong Shu | Ph.D. in Accounting Group, Institute of Business Studies, National Taiwan University, Dean and Professor of Department of Accounting, Fu Jen Catholic University, External review members of the listing/ OTC review committee, Member of the Accountant Examination Review Committee of the Examination and Selection Department, TSC Auto ID Technology Co., Ltd., Independent supervisor of Guangdong Electronics Co., Ltd., The legal person supervisor representative of Mega International Commercial Bank, Representative of the legal person supervisor of Taiwan Fire Development Co., Ltd Independent Director of Tigerair Taiwan Co. Ltd Professor of the Department of Accounting and AssociateDean of Department of Management, Fu  | (3) Has followed Article 14-3 of the Securities and Exchange Act for making the decision and providing the opinion.<br>(4) Has not received compensation from the Company or its affiliates for business, legal, financial, accounting, and other services in the past two years.  | 0 |

|  |  |   |  |  |
|--|--|---|--|--|
|  |  | Jen Catholic University<br>Director of Tigerair Taiwan Co. Ltd<br>Member of the Compensation Committee of Taiwan Semiconductor Co., Ltd.<br>Member of the Audit Committee of Taiwan Semiconductor Co., Ltd. |  |  |
|--|--|---|--|--|

Note 1: Please specifically fill in the number of years of relevant work experience, and the professional qualifications and experience, and the status of independence, of each remuneration committee member. If the member is an independent director, you may add a note directing readers to refer to the relevant information in Table 1 Information on Directors and Supervisors (I) on p. \_\_\_\_\_. For "Capacity," please specify whether the member is an independent director or other (if the member is the convener, please note that fact).

Note 2: Professional qualifications and experience: Describe the professional qualifications and experience of each member of the remuneration committee.

Note 3: Independence analysis: Describe the status of independence of each remuneration committee member, including but not limited to the following: whether the member or their spouse or relative within the second degree of kinship serves or has served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company held by the member, their spouse, and their relatives with the second degree (or through their nominees); whether the member has served as a director, supervisor or employee of a "specified company" (see Article 6, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

Note 4: Regarding the method for disclosure, please refer to the "SAMPLE ANNUAL REPORT" page on the website of the Taiwan Stock Exchange Corporate Governance Center.

### **Information on the implementation of the Salary and Compensation Committee**

1. There are 3 members of the salary committee of the company, term of office :10 August, 2021 to 25 July, 2024.

2. The term of office of the current (fifth) members, the 2022 Salary and Compensation Committee held meetings 3 times (A) (As of the printing date of the annual report, 7 time in 5th session and 3 times in 2022), membership qualifications and attendance are as follows:

| Title            | Name           | No. of meetings attended in person (B) | By Proxy | Attendance Rate (%)<br>【 B/A 】 Note | Remarks  |
|------------------|----------------|--|----------|-------------------------------------|--|
| Convener         | Fan Hong Shu   | 3                                      | 0        | 100%                                | As of the printing date of the annual report, the 5 <sup>th</sup> Salary and Compensation Committee convened 7 times in total. Among them, a total of 3 meetings will be held in 2022. |
| Committee member | Jhan Cian Long | 3                                      | 0        | 100%                                |  |
| Committee member | Lin Bo Sheng   | 3                                      | 0        | 100%                                |  |

Other matters to be recorded:

1. If the board of directors does not adopt or amend the recommendations of the Salary and Compensation Committee,

It should state the date of the board of directors, the period, the content of the proposal, The results of the board of directors' resolutions and the company's handling of the opinions of the Compensation Committee (If the remuneration approved by the board of directors is better than the recommendation of the remuneration committee, the differences and reasons should be stated): No such situation.

2. Matters discussed and resolved by the Salary and Compensation Committee,

If members have objections or reservations and have records or written declarations,

The salary and compensation committee date, period, proposal content,

All member opinions and handling of member opinions: No such situation.

| Serial No. | Date of the Salary and Compensation Committee Meeting | Jhan Cian Long | Fan Hong Shu | Lin Bo Sheng | Salary Specialty | Financial year |
|------------|---|----------------|--------------|--------------|------------------|----------------|
| 1          | 2022.03.28  | V              | V            | V            | V                | 2022           |
| 2          | 2022.08.10  | V              | V            | V            | V                | 2022           |
| 3          | 2022.12.28  | V              | V            | V            | V                | 2022           |
| 4          | 2023.03.15  | V              | V            | V            | V                | 2022           |

Note:

(1) Those who have resigned from the salary committee before the end of the year,

The date of resignation should be indicated in the remarks column,

The actual attendance rate (%) is calculated based on the number of meetings of the Salary and Compensation Committee during their employment and their actual attendance.

(2) Before the end of the year, the re-election of the remuneration committee shall change the new, All former members of the Salary and Compensation Committee shall be filled out.

In the remarks column, indicate whether the member is old, new or re-elected and the date of re-election. The actual attendance rate (%) is calculated based on the number of meetings of the Salary and Compensation Committee during the term of service and the actual attendance.

**(5) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons :**

| Evaluation Items   | Operation Status (Note1) 1) |    |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------------|----|---|---|
|  | Yes                         | No | Summary Description (Note 2)  |   |
| 1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board? | V                           |    | <p>For promoting the sustainable development of the Company, the Company formed the professional (part-time) committee which is promoted by the Board of Directors, the General Management Division, the directors and management units of plants, and the General Management Division reports to the Audit Committee and the Board. In addition, the Company has implemented the “Sustainable Development Best Practice Principles” and “RBA Code of Conduct”. The vice president of the General Management Division was appointed as the Company's Sustainable Development Management Representative to oversee the operation of the RBA system.</p> <p>In March 2022, the Company has planned to establish the "Corporate Sustainability Committee". As of the publication date of the annual report, the Company has sought professional consultant on the preparation of the Company's Sustainability reports in accordance with international standards such as GRI and SASB.</p> <p>Also, the Committee reports to the board of directors on the implementation of the previous year's implementation of promotion of sustainable development. The report on the implementation of the Company's Corporate Sustainable Development 2021 (formerly known as "Corporate Social Responsibility") was submitted to the Board of Directors on March 15, 2022.</p> | No major difference   |
| 2. Has the Company conducted risk assessments on environmental, social, and corporate governance issues relating to the Company's operations in accordance with the materiality, and formulated relevant risk management policies or strategies? (Note 2)  | V                           |    | <p>The Company has a standard code of practice for implementing sustainable development, including labor safety and health and environmental regulations. In order to implement sustainable development, the Company has formulated the "Code of Practice on Sustainable Development." The Company has also established the "Policies and Objectives for RBA" and "Measures for Managing Social Responsibility Risk Assessment." The Company is concerned about social responsibility and complies with the relevant laws and regulations, including the composition and operation of the Board of Directors, auditing, and shareholding of directors and supervisors. In addition, the Company continues to research and develop new products, improve operational efficiency to maximize capital gains for the shareholders, fulfill our environmental responsibilities, continue to operate sustainably, establish a friendly workplace, maintain a good quality of life for the employees, and participate in social welfare and care for disadvantaged groups. The Company has implemented RBA social responsibility with the concepts of "Business Integrity," "Human-oriented," "Resource-treasured," and "Social care" in order to implement and achieve the implementation criteria of the RBA policy.</p>   | No major difference   |

| Evaluation Items   | Operation status (Note1) 1) |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|--|-----------------------------|----|--|---|
|  | Yes                         | No | Summary Description (Note 2)   |   |
| 3. Environmental issues  |                             |    |  |   |
| (1) Does the company establish an appropriate environmental management system based on its industrial characteristics?   | V                           |    | (1) To correctly and effectively improve the performance of environmental and social responsibility management, the company provides environmental and social responsibility abnormal conditions to relevant departments.<br>To achieve both improvement and control, specially established "Environmental and Social Responsibility Exception Handling Measures", and in accordance with public safety construction regulations, fire protection regulations, labor hygiene and safety regulations, waste disposal law, energy-saving and carbon-reduction management regulations, etc., maintain the working environment and natural environment and declare them in accordance with the law.  | No Major Difference   |
| (2) Has the company made efforts to improve the efficiency of resources utilization and use recycled materials which have a low impact on the environment?   | V                           |    | (2) The Company is committed to enhancing the efficiency of various energy use. Through the operating system, fully comply with RoHS regulations in manufacturing process and raw material management, in addition, waste materials are entrusted to the waste removal permit agency responsible for recycling and reuse. Has effectively reduced the environmental load caused by product manufacturing.  | No Major Difference   |
| (3) Whether the company assesses the potential risks and opportunities of climate change to the company now and in the future, And take the cause of climate-related issues What should be done?   | V                           |    | (3) & (4) The description is as follows:<br>The company’s general management office and each plant have dedicated personnel responsible for managing the staff’s working environment and Protect the natural environment. After obtaining ISO-9001, ISO/TS16949, ISO14001 certification, confirm that various environmental, occupational safety and health and information security management systems meet the standards; Shandong Yangxin Everwell Factory obtained TUV certification in February 2014. Passed ISO14064 greenhouse gas inspection as "reasonable assurance level"; The Yilan Lize plant obtained TUV certification in July 2014 and passed the ISO14064 greenhouse gas inspection as a "reasonable assurance level". In addition; Shandong Yangxin Factory in Mainland China, Yilan Meizhou Plant and Lize Plant also obtained TUV transfer certification IATF16949 quality management system standard. | No Major Difference   |
| (4) Does the company keep statistics on greenhouse gas emissions in the past two years, Water consumption and total weight of waste, and formulate energy saving and carbon reduction, Greenhouse gas reduction, water reduction or other waste management policies? | V                           |    |  |   |

| Evaluation Items | Operation status (Note1) 1) |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|------------------|-----------------------------|----|---|---|
|                  | Yes                         | No | Summary Description (Note 2)  |   |
|                  |                             |    | <p>(2) Enterprises are exposed to the substantial risks of climate change<br/>As the company’s main project affected by climate change is the control of greenhouse gas emissions, The use of electricity is the main source of the company’s greenhouse gas consumption. At present, Taiwan’s electricity supply can still be provided stably, And government agencies continue to promote energy-saving and carbon-reduction operations, Therefore, the company has no substantial risks due to climate change.</p> <p>(3) Climate change provides opportunities for enterprises, The company believes that if companies do a good job of controlling climate change risks, they can enhance their competitiveness. And create opportunities. Therefore, the company continues to carry out energy-saving and carbon-reduction related plans And the EU environmental protection regulations as the goal, to enhance our green production capacity and international competitive advantage to bring opportunities for the company. In response to the impact of climate change, the company provides environmentally friendly products for greening, energy saving and carbon reduction.<br/>Supply major customer applications in the market, there is a chance because of the enhancement of the product’s characteristics. Bring more energy-saving and carbon-reduction effects to customers, and bring new customer applications or design updates, at the same time, it also brings new business opportunities to the company.</p> <p>(4) Corporate (direct and indirect) greenhouse gas emissions (specify the scope and time of the inventory), and whether it passed the external verification for Meizhou factory: The relevant results of the company’s Meizhou factory inspection are as follows:<br/>(1) Greenhouse gas inspection method: self-inspection (Greenhouse Gas Inventory Form Version 3.0.0 (Revised))<br/>(2) Inventory scope and time: Meizhou Factory (96 Meizhou 2nd Road, Yilan City, Yilan County)Inventory of greenhouse gas emissions in 2022:Direct emissions 0.3599 tons/CO2 equivalent. Indirect emissions are 3997 tons/CO2 equivalent<br/>At Lize plant: The company's Lize plant has passed the external verification of Rheine in Germany on June 12, 2022.The relevant results of the inspection are as follows: (as attached)<br/>(1) Greenhouse gas inspection certificate:TUV certificate registration number CF 50547683 0001, inspection report number 38513061 001<br/>(2) Inventory scope and time: Lize Factory (No. 31, Sec. 2, Ligong 1st Rd., Wujie Township, Yilan County)Inventory of greenhouse gas emissions in 2020<br/>(3) Greenhouse gas emission: Direct emissions 27.8046 tons/CO2 equivalent. Indirect emissions are 9604.0632 tons/CO2 equivalent<br/>The inventory for 2021 will be completed by the end of August 2022 in accordance with Article 21 of the Air Pollution Control Act, the Greenhouse Gas Emissions Reporting Management Regulations. The previous year's greenhouse gas emissions will be inventoried, registered and verified.</p> |   |

| Evaluation Items | Operation status (Note1) 1) |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|------------------|-----------------------------|----|---|---|
|                  | Yes                         | No | Summary Description (Note 2)  |   |
|                  |                             |    | <p>2. Strategies, methods, goals, etc. of enterprises for greenhouse gas management:</p> <p>(1) Corporate strategies for responding to climate change or greenhouse gas management<br/> Meizhou Plant: To working on greenhouse gas reduction and reducing the use of purchased electricity, and are planning to introduce the ISO 14064 inventory management system in 2022 and conduct external validation in 2023.<br/> Lize Plant: The Company has established greenhouse gas inventory management procedures to regulate and implement greenhouse gas emission inventories, data collection, emission calculations, emission inventories, and the production of inventory reports. In addition to working on the Company’s greenhouse gas inventory, to accurately grasp the Company’s greenhouse gas emissions status, and based on the results of such inventory, conduct further voluntary greenhouse gas emission reduction related programs with a view to sustainable development and maximizing our corporate responsibility for environmental protection.</p> <p>(2) Corporate Greenhouse Gas Emission Reduction Targets<br/> Meizhou Plant: Continuing to manage the energy saving and carbon reduction efforts to meet the requirements of the law and regulations.<br/> Lize Plant: As a result of the greenhouse gas inventory, the Company's indirect source of greenhouse gas emissions from 2021 onwards is purchased electricity, which accounts for 99.7% of the Company's greenhouse gas emissions from the Lisieux plant. Therefore, it is the objective of the plant to promote energy saving and carbon reduction management.</p> |   |

| Evaluation Items     | Operation status (Note1) 1) |                |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |                               |                               |                |                               |                               |                               |                  |      |         |      |    |       |       |                  |         |    |       |       |                |       |       |       |    |       |       |                      |      |        |      |    |       |       |                    |       |    |       |       |  |
|----------------------|-----------------------------|----------------|---|---|-------------------------------|-------------------------------|----------------|-------------------------------|-------------------------------|-------------------------------|------------------|------|---------|------|----|-------|-------|------------------|---------|----|-------|-------|----------------|-------|-------|-------|----|-------|-------|----------------------|------|--------|------|----|-------|-------|--------------------|-------|----|-------|-------|--|
|                      | Yes                         | No             | Summary Description (Note 2)  |   |                               |                               |                |                               |                               |                               |                  |      |         |      |    |       |       |                  |         |    |       |       |                |       |       |       |    |       |       |                      |      |        |      |    |       |       |                    |       |    |       |       |  |
|                      |                             |                | <p>(3) Corporate greenhouse gas emission reduction budgets and plans</p> <p>Meizhou Plant:</p> <p>1. Document forms promote e-platform and reduce paper consumption.</p> <p>2. Continuing to promote energy saving projects.</p> <p>3. The following targets have been set with 2020 as the base year</p> <p>A. Annual Target 1% reduction in waste water reduction (11,580 tons in base year)</p> <p>B. Annual Target reduction of 1% for waste (25.7 tons in base year)</p> <p>C. Promote energy-saving projects to reduce carbon emissions, with an annual carbon reduction target of 1%. (3705 tons in base year)</p> <table border="1"> <thead> <tr> <th></th> <th>2020<br/>Base<br/>year</th> <th>2021<br/>Actual</th> <th>2022<br/>Actual</th> <th>2023<br/>Expected<br/>reduction</th> <th>2024<br/>Expected<br/>reduction</th> <th>2025<br/>Expected<br/>reduction</th> </tr> </thead> <tbody> <tr> <td>CO2<br/>(Scope 1)</td> <td rowspan="2">3705</td> <td rowspan="2">3884.09</td> <td>0.36</td> <td>1%</td> <td>1.20%</td> <td>1.50%</td> </tr> <tr> <td>CO2<br/>(Scope 2)</td> <td>3997.21</td> <td>1%</td> <td>1.20%</td> <td>1.50%</td> </tr> <tr> <td>Waste<br/>water</td> <td>11580</td> <td>12319</td> <td>10843</td> <td>1%</td> <td>1.20%</td> <td>1.50%</td> </tr> <tr> <td>Waste<br/>(hazardous)</td> <td rowspan="2">25.7</td> <td rowspan="2">28.045</td> <td>2.97</td> <td>1%</td> <td>1.20%</td> <td>1.50%</td> </tr> <tr> <td>Waste<br/>(General)</td> <td>17.84</td> <td>1%</td> <td>1.20%</td> <td>1.50%</td> </tr> </tbody> </table> |   | 2020<br>Base<br>year          | 2021<br>Actual                | 2022<br>Actual | 2023<br>Expected<br>reduction | 2024<br>Expected<br>reduction | 2025<br>Expected<br>reduction | CO2<br>(Scope 1) | 3705 | 3884.09 | 0.36 | 1% | 1.20% | 1.50% | CO2<br>(Scope 2) | 3997.21 | 1% | 1.20% | 1.50% | Waste<br>water | 11580 | 12319 | 10843 | 1% | 1.20% | 1.50% | Waste<br>(hazardous) | 25.7 | 28.045 | 2.97 | 1% | 1.20% | 1.50% | Waste<br>(General) | 17.84 | 1% | 1.20% | 1.50% |  |
|                      | 2020<br>Base<br>year        | 2021<br>Actual | 2022<br>Actual  | 2023<br>Expected<br>reduction   | 2024<br>Expected<br>reduction | 2025<br>Expected<br>reduction |                |                               |                               |                               |                  |      |         |      |    |       |       |                  |         |    |       |       |                |       |       |       |    |       |       |                      |      |        |      |    |       |       |                    |       |    |       |       |  |
| CO2<br>(Scope 1)     | 3705                        | 3884.09        | 0.36  | 1%  | 1.20%                         | 1.50%                         |                |                               |                               |                               |                  |      |         |      |    |       |       |                  |         |    |       |       |                |       |       |       |    |       |       |                      |      |        |      |    |       |       |                    |       |    |       |       |  |
| CO2<br>(Scope 2)     |                             |                | 3997.21   | 1%  | 1.20%                         | 1.50%                         |                |                               |                               |                               |                  |      |         |      |    |       |       |                  |         |    |       |       |                |       |       |       |    |       |       |                      |      |        |      |    |       |       |                    |       |    |       |       |  |
| Waste<br>water       | 11580                       | 12319          | 10843   | 1%  | 1.20%                         | 1.50%                         |                |                               |                               |                               |                  |      |         |      |    |       |       |                  |         |    |       |       |                |       |       |       |    |       |       |                      |      |        |      |    |       |       |                    |       |    |       |       |  |
| Waste<br>(hazardous) | 25.7                        | 28.045         | 2.97  | 1%  | 1.20%                         | 1.50%                         |                |                               |                               |                               |                  |      |         |      |    |       |       |                  |         |    |       |       |                |       |       |       |    |       |       |                      |      |        |      |    |       |       |                    |       |    |       |       |  |
| Waste<br>(General)   |                             |                | 17.84   | 1%  | 1.20%                         | 1.50%                         |                |                               |                               |                               |                  |      |         |      |    |       |       |                  |         |    |       |       |                |       |       |       |    |       |       |                      |      |        |      |    |       |       |                    |       |    |       |       |  |

| Evaluation Items | Operation status (Note1) 1) |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|------------------|-----------------------------|----|--|---|
|                  | Yes                         | No | Summary Description (Note 2)   |   |
|                  |                             |    | <p>In 2022, electricity consumption increased by 1,186 thousand kilowatt hours compared to 2021 due to the expansion of the plant and new equipment. However, the CO2 output per film decreased by 0.0013 metric tons, representing a decrease of 11.9%.</p> <p>Wastewater emissions in 2022 were 5.7% lower than that in 2021.</p> <p>As for the waste component, calcium fluoride sludge was added to general waste in 2021 due to the addition of CaCO3 to wastewater treatment plants to stabilize the quality of wastewater, which led to an increase in sludge volume. However, our wastewater and sludge were recycled (as a cement raw material) with a conversion rate of 100% and no obvious environmental impact.</p> <p>A wastewater MVR system will be installed in 2023 to reduce wastewater sludge from 80 tonnes/month to 60 tonnes/month, with an estimated reduction of 25%.</p> |   |

| Evaluation Items | Operation status (Note1) 1) |    |   |   |                          |                          | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |                               |                               |  |
|------------------|-----------------------------|----|---|---|--------------------------|--------------------------|---|-------------------------------|-------------------------------|--|
|                  | Yes                         | No | Summary Description (Note 2)  |   |                          |                          |   |                               |                               |  |
|                  |                             |    |   | 2020<br>base year<br>Single<br>chip<br>production | 2021<br>Actual           | 2022<br>Actual           | 2023<br>Expected<br>reduction   | 2024<br>Expected<br>reduction | 2025<br>Expected<br>reduction |  |
|                  |                             |    | CO2<br>(Scope 1)  | 0.0000637<br>tons/piece                           | 0.00003161<br>tons/piece | 0.00003222<br>tons/piece | 1%  | 1.2%                          | 1.5%                          |  |
|                  |                             |    | CO2<br>(Scope 2)  | 0.0129363<br>tons/piece                           | 0.01086839<br>tons/piece | 0.009568<br>tons/piece   | 1%  | 1.2%                          | 1.5%                          |  |
|                  |                             |    | Waste<br>water  | 0.347<br>tons/piece                               | 0.294<br>tons/piece      | 0.277<br>tons/piece      | 1%  | 1.2%                          | 1.5%                          |  |
|                  |                             |    | Waste<br>(hazardous)  | 0.0002<br>tons/piece                              | 0.0002<br>tons/piece     | 0.0002<br>tons/piece     | 1%  | 1.2%                          | 1.5%                          |  |
|                  |                             |    | Waste<br>(General)  | 0.045<br>tons/piece                               | 0.081<br>tons/piece      | 0.087<br>tons/piece      | 1%  | 1.2%                          | 1.5%                          |  |
|                  |                             |    | (4) The carbon reduction effect of corporate products or services to customers or consumers. The company is committed to the development and production of low energy consumption products. If customers use the company’s products, it will bring about low-energy-consumption product design, while providing consumer use, as the product consumes less energy, it will be able to contribute to energy saving and carbon reduction. |   |                          |                          |   |                               |                               |  |

| Evaluation Items   | Operation status (Note1) 1) |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|--|-----------------------------|----|--|---|
|  | Yes                         | No | Summary Description (Note 2)   |   |
| <p>. Social issues</p> <p>(1) Whether the company complies with relevant laws and regulations and international human rights conventions, formulate relevant management policies and procedures?</p> | V                           |    | <p>(1) To fulfill its responsibility to protect human rights, the company shall formulate relevant management policies and procedures, which include:</p> <ol style="list-style-type: none"> <li>1. Propose the company's human rights policy or statement.</li> <li>2. Evaluate the impact of the company's operational activities and internal management on human rights, and formulate corresponding handling procedures.</li> <li>3. Regularly review the effectiveness of corporate human rights policies or statements.</li> <li>4. When human rights violations are involved, the handling procedures for the interested parties involved shall be disclosed.</li> </ol> <p>The Company shall comply with internationally recognized labor human rights, such as freedom of association, the right to collective bargaining, care for disadvantaged groups, prohibition of child labor, elimination of various forms of forced labor, elimination of discrimination in employment and occupation, etc. And confirm that its human resource utilization policies do not discriminate based on gender, race, socio-economic class, age, marital and family status to achieve equality and fairness in employment, terms and conditions of employment, remuneration, benefits, training, appraisal, and promotion opportunities. The Company shall provide an effective and appropriate grievance mechanism to ensure equality and transparency in the grievance process in cases where labor rights are jeopardized. Grievance channels should be simple, convenient, and accessible, and staff grievances should be responded to appropriately.</p> | No Major Difference   |

| Evaluation Items | Operation status (Note 1) 1) |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|------------------|------------------------------|----|--|---|
|                  | Yes                          | No | Summary Description (Note 2)   |   |
|                  |                              |    | <p>In addition; the company complies with relevant labor laws and establishes labor-management committees to hold regular meetings, important matters are communicated and coordinated by representatives of both employers and employees to protect the rights and interests of employees. Example:</p> <ol style="list-style-type: none"> <li>1. Employee rights and interests: Indeed handled the provision of labor insurance, national health insurance, and pension contributions in accordance with the law.</li> <li>2. Insurance: In addition, public accident liability insurance and employee group insurance shall be insured.</li> <li>3. Management methods and procedures: working rules have been formulated and published on the company's internal website intranet.ts.com.tw and external webpage ww.ts.com.tw are for employees to comply with.</li> </ol> | No Major Difference   |

| Evaluation Items  | Operation status (Note1) 1) |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|---|-----------------------------|----|--|---|
|   | Yes                         | No | Summary Description (Note 2)   |   |
| (2) Does the company formulate and implement reasonable employee welfare measures? (Including salary, vacation and other benefits, etc.), And appropriately reflect business performance or results in employee compensation? | V                           |    | (2) The Company is concerned about and complies with the relevant laws and regulations, has established applicable management rules for the payroll cycle, integrated the employee performance appraisal system, remuneration, and incentive system with the corporate social responsibility policy, and set up a clear and compelling reward and disciplinary. The Company's articles also set out the remuneration of its employees and distribute the Company's profits each year according to the performance appraisal of the employees so that the salaries of the employees can grow together with the Company's operation, and also organizes education and training for the employees so that they can fully understand the relevant salary and remuneration policies of the Company. | No Major Difference   |

| Evaluation Items  | Operation status (Note1) 1) |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|---|-----------------------------|----|--|---|
|   | Yes                         | No | Summary Description (Note 2)   |   |
| (3) Whether the company provides a safe and healthy working environment for employees, And regularly implement safety and health education for employees? | V                           |    | <p>(3)</p> <p>1. Safe and Healthy Working Environments for Employees: To prevent occupational disasters and ensure the safety and health of workers, the Company has established measures such as the "Accident Prevention and Crisis Management Implementation Plan," "Sexual Harassment Prevention Measures Appeals and Disciplinary Measures," Measures such as "Safety and Hygiene Work Code," which all employees are obliged to follow, and has provided a safe and healthy working environment in accordance with the laws and regulations related to labor safety and health, public safety in construction and fire safety, and has reported them in accordance with the law.</p> <p>2. Employee safety education: Public safety and health rules have been established, and employee education and training are indeed handled in accordance with regulations.</p> <p>3. Employee health education: Annual health check-ups and health promotion manuals are provided to staff individually by health care professionals from medical institutions.</p> <p>The company has established and announced employee grievance channels on the company's internal webpage intranet.ts.com.tw and external webpage www.ts.com.tw for employees to use. If employees raise questions, the company will handle them properly. The Company has established and published employees grievance channel on the Company's internal website intranet.ts.com.tw and external website www.ts.com.tw for use by employees, and communicates with employees on a regular basis, and any issues raised by employees are dealt with appropriately. In addition, the company has established "Code of Integrity Management" and "Standards of Ethical Conduct" → (Company-wide employee conduct and ethics code). In addition, there are also relevant specifications in the company's "Working Rules". The company conducts education, training and advocacy for employees to fully understand the company's determination, policies, prevention plans, and the consequences of violations of integrity.</p> | No Major Difference   |

| Evaluation Items   | Operation status (Note1) 1) |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|--|-----------------------------|----|--|---|
|  | Yes                         | No | Summary Description (Note 2)   |   |
| (4) Does the company establish effective career development training programs for employees? | V                           |    | <p>4) The company builds effective career development for employees, and carries out internal training or external training, to strengthen the professional ability of employees. The company creates a good environment for the career development of employees, and establishes an effective career ability development training program.</p> <p>The company formulates and implements reasonable employee welfare measures (including salary, vacations and other benefits, etc.), and appropriately reflects operating performance or results in employee compensation, to recruit, retain and encourage human resources to achieve the goal of sustainable operation.</p> <p>In addition; the company in accordance with the relevant laws and regulations enacted →including professional development plans, Implementation results and other content, regular and irregular employee education and training, make sure to comply with the standard operating rules in line with corporate social responsibility, and give rewards and punishments in accordance with the working rules. (In addition, the company's employee education and training situation is disclosed in the following attached table (B).</p> | No Major Difference   |

| Evaluation Items   | Operation status (Note1) 1) |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|--|-----------------------------|----|--|---|
|  | Yes                         | No | Summary Description (Note 2)   |   |
| (5) Customer health and safety, customer privacy, marketing and labeling of products and services, Does the company follow relevant regulations and international standards, and formulate relevant consumer protection policies and appeals procedures? | V                           |    | (5) The company's customer health and safety of products and services, customer privacy, marketing and labeling, all follow relevant laws and regulations and international standards. And treat them in a fair and reasonable manner, including contracting fairness and integrity, Pay attention to the principles of loyalty, truthfulness of advertising solicitation, suitability of goods or services, notification and disclosure, balance of remuneration and performance, appeal protection, professionalism. Measures" to protect the interests and rights of agents, Formulate "Agent Management Measures" to protect the interests and rights of agents, and expand the company's product sales range. | No Major Difference   |

| Evaluation Items   | Operation status (Note1) 1) |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|--|-----------------------------|----|---|---|
|  | Yes                         | No | Summary Description (Note 2)  |   |
| (6) Does the company formulate a supplier management policy and require suppliers to be mindful of issues such as occupational safety and health or labor human rights, comply with relevant regulations, and how are they implemented?  | V                           |    | <p>(6) The company formulates "third-party vendor management operating procedures" for the management of suppliers. Before the company and suppliers communicate with each other, they are in accordance with the evaluation methods established by the company. Assess whether the supplier has a record of affecting the environment and society, as a reference for the evaluation of qualified suppliers, and push suppliers to promote ISO-9001, ISO/TS16949, ISO14001, ISO14064 certification, and work together to improve corporate social responsibility.</p> <p>Through the global automotive industry quality management system IATF 16949 and the quality system ISO 9001, the Company can achieve the goal of continuous improvement and defect prevention through a rigorous quality management system to provide high-quality products to our customers in the global automotive industry. In addition, to achieve the goal of zero defects and to enhance our competitiveness, the Company has been conducting a series of training and strengthening management through VDA 6.3 process audits since 2000 to ensure that the quality of our products meets the needs of our customers and to follow the continuous improvement of the international automotive industry. The latest version of AIAG-VDA FMEA (Failure Mode and Effect Analysis) will be fully implemented in 2020 to optimize the cost of products and processes.</p> <p>In addition, the company selects honest suppliers and regularly evaluates the supplier's suitability. All suppliers should abide by the company's integrity policy; the company's contracts with major suppliers are reviewed and implemented by the legal department, and the relevant contracts are established, Already includes the clause that suppliers can terminate or terminate the contract at any time if they violate their corporate social responsibility policies and have a significant impact on the environment and society.</p> <p>Whether the company is in research and development, purchasing, production, operation and service processes are all done in a fair and transparent manner. For commercial activities, foreign contracts require good faith clauses. In addition to formulating customer complaint procedures and setting up an exclusive unit, the company. And provide product support service window and insured product liability insurance on the company's public website.</p> <p>In response to the continued strengthening of green supply chains for customers in the electric vehicle and consumer electronics industries, the Company has not only focused on product design, but has also integrated a green vision in supplier management by implementing and continuing TSMC's corporate responsibility for sustainable supply chain management in the procurement of raw materials, supply management of wafer fab operations, and local procurement policies. In response to the different and increasingly complex supply management of existing supply chains due to new customer industries, the company has established a supply chain management department at its Taipei headquarters starting in the third quarter of 2022, with the aim of integrating procurement resources from various fabs and improving supply chains to achieve the goal of sustainable supply chain management.</p> | No Major Difference   |
| 5. Did the Company make reference to international standards or guidelines for the preparation of reports in preparing its sustainability reports and other reports that disclose nonfinancial information about the Company? Did the Company obtain a third-party certification agency's confirmation or assurance opinion on said reports? |                             | V  | <p>The Company has set up a corporate social responsibility zone on the website and discloses Sustainable Development information to the Company's website and public information observatory according to the actual operation situation, in accordance with the competent authority and relevant laws and regulations. In March 2022, the Company has established the "Corporate Sustainability Committee". Under the Committee, it has established a "Corporate Social Responsibility Functional Group". As of the publication date of the annual report, the Company has sought professional advice to assist the Company in preparing its perpetual reports in accordance with international standards such as GRI and SASB.</p>   | In progress   |
| 6. If your company has established sustainable development principles based on "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe differences between the principles and their implementation:   |                             |    |   |   |

To implement corporate social responsibility, the company has formulated the " Sustainable Development Best Practice Principles ". The company has separately formulated the "RBA Policy and Target Management Measures" and the "Social Responsibility Risk Assessment Management Method" is hereby followed. The company adheres to the business philosophy of "Customer First", "Quality First" and " RBA ", and carries forward the corporate spirit of "proactive, optimistic and enterprising, and the pursuit of excellence", upholds the corporate values and corporate culture of "integrity, obedience, pragmatism, teamwork, and innovation", and implements RBA in accordance with the requirements of RBA standards. And is committed to the spirit of the corporate RBA policy, promote to the company's suppliers and their lower-level subcontractor partners. To fulfill corporate citizenship, demonstrate the company's commitment to employees, shareholders and customers, in addition to implementing information transparency, and actively participating in public welfare activities, the company has actually complied with the "Code of Practice for Corporate Social Responsibility of Listed Companies".

7. Other key information useful for explaining the promotion and execution of sustainable development: (such as the company's environmental protection, community participation, social contribution, social service, social welfare, consumer rights, human rights, the systems and measures adopted in safety and health and other social responsibility activities and their implementation status):

(1) The Company has made various information available to the investing public and employees on the Market Observation Post System and the Company's internal intranet.ts.com.tw website and external www.ts.com.tw website.

(2) The company has always been committed to the actual promotion and implementation of sustainable development. As of the printing date of the annual report, KPMG Sustainability Consultants Ltd. has been engaged to advise the Company on the preparation of a Sustainability Report in accordance with international standards such as GRI and SASB, which will be required by law in the future. In addition, the company has implemented RBA social responsibility, "Integrity governance", "people-oriented", "cherish resources", the concept of "caring for society", and then implemented and met the sustainable development and RBA policy implementation guidelines.

(3) Participate in charitable activities:

The company is committed to creating a good working environment, implement employee care in the system and various welfare measures, and actively participate in public welfare activities. Over the years, the company has actively taken part in activities such as donating NT\$1 million for the August 8 floods, building the Santa Maria Medical Building for the Elderly for T\$500,000, and the special account of the Social Assistance Fund of the Social Affairs Bureau of the Kaohsiung City Government donating NT\$1 million for the burst of air on August 1, 2014, provide providing nutritious lunches for students from low-income households and low-income students in primary and secondary schools in Yilan County, and reimbursing tuition and miscellaneous fees for a total NT\$3.19 million and so on.

(4) The company has formulated product environmental protection specifications to control products without hazardous substances, and has established ISO14001 environmental management system and obtained OHSAS18001 occupational safety and health management system certification. The products produced have complied with the requirements of the European Union (European Union) RoHs directive and REACH regulations, and Taiwan has upheld the environment and HSF (No Hazardous Substances) policy. On the design side and production side, the company continues to introduce the concept of "green products", use non-hazardous raw materials, low-pollution and energy-saving production processes and recyclable packaging measures, and since February 1, 2007, the product has been introduced into halogen-free design. The Shandong Yangxin Everwell Factory in February 2014 obtained TUV certification and passed ISO14064 greenhouse gas inspection at a "reasonable assurance level"; The Yilan Lize plant obtained TUV certification in July 2014 and passed the ISO14064 greenhouse gas inspection at a "reasonable assurance level". In addition, the Shandong Yangxin Plant, Mainland China, the Yilan Meizhou Factory, and Lize Factory also obtained TUV transfer certification and passed the IATF16949 quality management system standard. The Tianjin plant has obtained the SGS transfer certification and passed the IATF16949 quality management system standard. In summary, the company will continue to do its best to promote sustainable development, to continue to meet the customer's technical requirements for product environmental protection.

1. If the company's sustainable development report has passed the verification standards of the relevant verification agency, should be stated: None

2. The company's products: SGS ROHS certification has been obtained.

3. Enterprise: Has obtained ISO-9001, ISO/TS16949, ISO14001, OHSAS18001, ISO14064, IATF16949 greenhouse gas inspection as "reasonable assurance level", along with other certifications

Note 1: If "Yes" is ticked in the "Implementation status" column, please concretely describe the major policies, strategies, and measures adopted and the status of their implementation. If "No" is ticked in the "Implementation status" column, please explain the deviations and the reasons in the "Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons" column and explain the Company's plans for adoption of related policies, strategies, and measures in the future.

Note 2: The materiality principle refers to focusing on environmental, social and corporate governance issues likely to have a material impact on the Company's investors and other stakeholders.

Note 3: Regarding the method for disclosure, please refer to the "SAMPLE ANNUAL REPORT" page on the website of the Taiwan Stock Exchange Corporate Governance Center



| Evaluation Items   | Operation Status (Note1) |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|--|--------------------------|----|---|---|
|  | Yes                      | No | Abstract Description (Note 2)   |   |
| (3) Does the company specify operating procedures, behavior guidelines, and guidelines in the plan for preventing dishonest behavior? Punishment and appeal system for violations, and implement them, and regularly review the pre-revision plan? |                          |    | <p>check the compliance of the preceding system. The "Code of Integrity Management of Listed OTC Companies", the second paragraph of Article 7, or other business activities within the business scope that have a higher risk of dishonest conduct, take relevant preventive measures. and formulated the "Management Measures for the Processing of Internal Major Information and Prevention of Insider Transactions", "Code of Integrity Management", and "Code of Ethical Conduct". This will be published on the company's internal website intranet.ts.com.tw and external website www.ts.com.tw for compliance.</p> <p>(3) The company has established a risk assessment mechanism for dishonesty conduct and performs regular risk assessment.</p> <p>The company assess business activities within the business scope that have a higher risk of dishonest behavior.</p> <p>Based on this, the prevention plan is formulated and the appropriateness and effectiveness of the prevention plan are regularly reviewed.</p> <p>The company should refer to the standards or guidelines commonly used at home and abroad to formulate prevention plans, and cover at least the following preventive measures:</p> <ol style="list-style-type: none"> <li>1. Offering and receiving bribes.</li> <li>2. Providing illegal political donations.</li> <li>3. Improper charitable donations or sponsorships.</li> <li>4. Providing or accepting unreasonable gifts, entertainment or other improper benefits.</li> </ol> |   |

| Evaluation Items   | Operation Status (Note1) |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|--|--------------------------|----|---|---|
|  | Yes                      | No | Abstract Description (Note 2)   |   |
|  |                          |    | 5. Infringement of trade secrets, trademark rights, patent rights, copyrights and other intellectual property rights.<br>6. Engaging in acts of unfair competition.<br>7. Products and services that directly or indirectly damage the rights, health and safety of consumers or other interested parties during research and development, procurement, manufacturing, provision or sales.  |   |
| 2. Implementing integrity management<br>(1) Whether the company assesses the integrity record of its counterparts, and clearly stipulates the good faith behavior clause in the contract signed with the counterparty?<br><br>(2) Whether the company has set up a dedicated unit under the board of directors to promote corporate integrity management, and regularly (at least once a year) report to the board of directors of its integrity management policy and prevent dishonest behavior plan and supervise the implementation situation? | ✓<br><br>✓               |    | (1) The company conducts business activities in a fair and transparent manner, and foreign contracts require good faith clauses. In addition to formulating customer complaint procedures and setting up an exclusive unit, the company provides product support service window and insured product liability insurance on the company's public website.<br>(2)<br>(1) The company's major operating policies, investment cases, acquisition and disposal of assets, endorsement guarantee, fund loan, bank financing and other matters have been evaluated and analyzed by relevant authorities and resolved by the board of directors.<br>(2) Major cases or doubtful cases should be confirmed by the relevant legal advisers based on their professional nature.<br>(3) Financial accounting units review transaction accounts in accordance with accounting principles. For major or doubtful cases, consult an accountant for confirmation. | No major difference   |

| Evaluation Items  | Operation Status (Note1) |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|---|--------------------------|----|--|---|
|   | Yes                      | No | Abstract Description (Note 2)  |   |
| (3) Does the company formulate policies to prevent conflict of interest and provide appropriate channels for presentations? And implement it? | ✓                        |    | <p>(4) The audit unit conducts audits on various departments on a regular and irregular basis, implements the supervision mechanism and manages risk.</p> <p>(5) According to the company’s "Code of Integrity Management", the company’s directors, managers, employers, assignees and actual controllers should perform the duty of care of a good manager, urge the company to prevent dishonest behavior, and review its implementation effectiveness and continuous improvement at any time, and ensure the implementation of the integrity management policy. To improve integrity management of the company, the General Manager's Office is responsible for the formulation and supervision of the implementation of the integrity management policy and prevention plan, mainly in charge of the following matters and report to the board of directors regularly (at least once a year): (In addition to presenting the audit report to the board of directors, the Company also present the following items at the 12th Board meeting of the 15th session, on 15 March 2023:</p> <p>(a) The Report on Company's 2022 Communication Channel with Stakeholders</p> <p>(b) The Report on Company's 2022 Corporate Sustainability (ESG) Implementation</p> <p>(c) Report on Risk management policies and procedures, disclosure of risk management scope, organizational structure, and its operation of the Company for 2022</p> <p>(d) Report on the Formulation, Operation and</p> |   |

| Evaluation Items   | Operation Status (Note1) |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|--|--------------------------|----|--|---|
|  | Yes                      | No | Abstract Description (Note 2)  |   |
| <p>(4) Whether the company has established an effective accounting system, the internal control system, and the internal audit unit based on the results of the assessment of the risk of dishonest behavior, draw up relevant audit plans, and check compliance with the plan to prevent dishonest behaviors, or entrust an accountant to perform the audit?</p> <p>(5) Does the company regularly organize internal and external education and training on integrity management?</p> | ✓                        |    | <p>Implementation of the Company's Integrity Management Policy and Prevention Programme for the Year 2022</p> <p>(e) Report of the 2022 head of corporate governance of the Company on the results of reviewing the qualifications of independent directors in the process of nomination, election and appointment for the term of office in compliance with relevant statutory requirements</p> <ol style="list-style-type: none"> <li>1. Assist in integrating integrity and ethical values into the company’s business strategy, and cooperate with laws and regulations to formulate relevant anti-fraud measures to ensure integrity management.</li> <li>2. Regularly analyze and evaluate the risk of dishonest behavior in the business scope, and formulate plans to prevent dishonest behaviors accordingly, and formulate standard operating procedures and behavior guidelines related to work and business in each plan.</li> <li>3. Planning the internal organization, establishment and responsibilities, for business activities with a higher risk of dishonesty within the business scope, set up mutual supervision and checks and balances mechanism.</li> <li>4. Promotion and coordination of honesty policy and training.</li> <li>5. Plan the reporting system to ensure the effectiveness of implementation.</li> <li>6. Assist the board of directors and management to check and assess whether the preventive measures established in the implementation of integrity management are operating effectively, and regularly evaluate the compliance status</li> </ol> |   |

| Evaluation Items                                 | Operation Status (Note1) |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|--|--------------------------|----|--|---|
|  | Yes                      | No | Abstract Description (Note 2)  |   |
|  |                          |    | <p>of related business processes and prepare reports.</p> <p>(3) The company has formulated the Code of Integrity Management and other related management measures and "Working Rules" and on the company's internal website intranet.ts.com.tw and external webpage www.ts.com.tw Providing proper presentation channels and implementing them is sufficient to prevent various frauds from happening.</p> <p>(4) To ensure the implementation of integrity management, the company has established an effective accounting system and internal control system, the internal auditing unit of the company shall, based on the assessment results of the risk of dishonest conduct, draw up relevant audit plans, including audit objects, scope, items, frequency, etc. Based on the compliance of the prevention plan, an accountant may be appointed to perform the check, if necessary, you may entrust professional assistance. The results of the inspection in the preceding paragraph shall be reported to the senior management, and the unit responsible for integrity management shall prepare an audit report and submit it to the board of directors.</p> <p>(5) The company regularly and irregularly organizes internal and external education and training on integrity management, to strengthen employees' compliance with the Code of Integrity Management and other related management measures.</p> |   |
| 3. The operation of the company's whistleblowing |                          |    | (1) The company has specified a specific reporting and   | No major difference   |

| Evaluation Items   | Operation Status (Note1)   |    |   | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|--|----------------------------|----|---|---|
|  | Yes                        | No | Abstract Description (Note 2)   |   |
| <p>system:</p> <p>(1) Does the company formulate specific reporting and reward systems, and establish convenient reporting channels, and to assign appropriate personnel to accept the report?</p> <p>(2) Whether the company has established standard operating procedures for the investigation of the reporting matters, what follow-up measures and related confidentiality mechanisms should be taken after the investigation is completed?</p> <p>(3) Does the company take measures to protect the informant from being improperly handled as a result of the report?</p> | <p>✓</p> <p>✓</p> <p>✓</p> |    | <p>reward system in the "Work Rules" Degree, and has formulated the "Code of Integrity Management" and "Code of Ethical Conduct", and on the company's internal website intranet.ts.com.tw and the external webpage www.ts.com.tw provides appropriate statement channels and whistle-blowing channels and implementation, which is sufficient to prevent various frauds from happening. Designate appropriate personnel in charge of receiving reports for the reported objects, and strengthen the promotion of employees.</p> <p>(2) The company has established and announced employee complaint channels on the company's internal website intranet.ts.com.tw and external website <a href="http://www.ts.com.tw">www.ts.com.tw</a>. It is reserved for employees to use and keeps confidential, and allows anonymous reporting. The company communicates with employees on a regular basis, and the handles reports properly. In addition, the company has established "Code of Integrity Management" and "Standards of Ethical Conduct" → (Company-wide employee conduct and ethics code), and also there are related specifications in the company's "Work Rules". Organize education, training and advocacy for employees so that they can fully understand the company's determination to operate with integrity, the consequences of policies, prevention programs, and violations of integrity.</p> <p>(3) The company adopts protective measures for reporting and handling. Reports will be handled properly by the supervisors, audit and legal personnel of each factory, to protect the informant from being improperly handled due to the report.</p> |   |
| 4. Strengthen information disclosure   |                            |    | (1) The company is in the "computer" cycle of the internal  | No major difference   |

| Evaluation Items  | Operation Status (Note1) |    |  | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|---|--------------------------|----|--|---|
|   | Yes                      | No | Abstract Description (Note 2)  |   |
| (1) Whether the company on its website and public information observation station, exposes the content and promotes the effectiveness of its code of integrity management?  | ✓                        |    | control system and has formulated the "Internal Important Information Processing Procedure".<br>Including public information declaration operations, prevention of insider transaction management operations, financial and non-financial information management operations, etc., there are also "Code of Integrity Management" and "Standards of Ethical Conduct", in addition to issuing announcements to all employees.<br>The company has exposed various information in the public information observatory, external www.ts.com.tw website and the internal intranet.ts.com.tw website that is available for investment public and employees to refer to.<br>(2) The company has commissioners responsible for the collection and release of various information, and has set up and reported relevant information of the spokesperson and acting spokesperson in accordance with the regulations. |   |
| <p>5. If the company has its own code of integrity management in accordance with the "Code of Integrity Management of Listed OTC Companies", please state the difference between its operation and the established code:<br/>The company has established "Code of Integrity Management" and "Standards of Ethical Conduct" → (Company-wide employee conduct and ethics code), in addition, there along with the related specifications in the company's "Working Rules". The company should be based on the business philosophy of integrity, transparency and responsibility, formulate a policy based on integrity, and establish a sound corporate governance and risk control mechanism.<br/>To create a sustainable business environment, and to improve integrity management, the company should appoint a dedicated unit to formulate and supervise the implementation of policies and prevention plans, and report regularly to the board of directors. The company should clearly state the policies and practices of honest operation, and the board of directors and management should actively implement the commitments of operating policies, etc. The actual operation is in accordance with the regulations, and there is no significant difference between the code and the code set by the company.</p> |                          |    |  |   |
| <p>6. Other important information that helps to understand the company's integrity management operations<br/>(For example, the company promotes the company's determination to conduct business with integrity, Policies and invite them to participate in education and training, review and revise the company's code of integrity management, etc.):</p>   |                          |    |  |   |

| Evaluation Items   | Operation Status (Note1) |    |                               | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” |
|--|--------------------------|----|-------------------------------|---|
|  | Yes                      | No | Abstract Description (Note 2) |   |
| <p>(1) The company complies with the Company Act, Securities Exchange Law, Commercial Accounting Law, regulations related to listing on the OTC or other business practices related laws and regulations, to be the basis for the implementation of integrity management.</p> <p>(2) The company's "Rules of Procedures for the Board of Directors" has a system for avoiding the interests of directors; To establish a good internal major information processing and disclosure mechanism, the company avoids improper disclosure of information, Ensures the consistency and accuracy of the information published by the company to the outside world, Strengthens the prevention of insider trading, has specially formulated the "Management Measures for the Handling of Important Internal Information and the Prevention of Insider Transactions", which clearly stipulates the relevant regulations for directors, managers and employees to handle important internal information of the company; the company's "ethical behavior standards" → (Company-wide employee conduct and ethics code) specified directors, managers are not allowed to use company property, information, or use their position for personal gain, etc. In addition, to ensure the implementation of the company’s integrity management, the company has established an effective accounting and internal control system, while internal auditors also regularly check the compliance of the preceding system. In addition, the "Code of Integrity Management of Listed Companies" Article 7 Paragraph 2 or other business activities within the business scope that have a higher risk of dishonest conduct, take relevant preventive measures. and therefore, the company's operations have complied with the requirements of the "Code of Integrity Management for Listing on the OTC"..</p> |                          |    |                               |   |

Note 1: Regardless of whether the operation status is checked "Yes" or "No", it should be stated in the summary description column.

(7) If the company has formulated corporate governance codes and related regulations, state its inquiry method:

The company currently has formulated the "Code of Practice for Corporate Governance", "Code of Practice for Sustainable Development ", "Standards of Ethical Conduct" → (Company-wide code of conduct and ethics for employees), "Code of Integrity Management", "Director Election Measures", "Rules of Procedures for Shareholders' Meetings", "Independent Directors' Scope of Responsibilities", "Organization Rules for the Audit Committee", "Organization Rules for the Compensation Committee", "Sexual Harassment Prevention Measures Complaints and Disciplinary Measures", "RBA Policy and Target Management Measures", "Administrative Measures for the Processing of Internal Major Information and the Prevention of Insider Transactions", "Environmental and Social Responsibility Exception Handling Measures", "Professional Ethics Risk Assessment Management Measures", "Social Responsibility Risk Assessment Management Measures", "Board self-evaluation or peer evaluation", "Standard Operating Procedures for Handling Directors' Requests" and Complete internal control system and internal audit system and other corporate governance codes, to implement the operation and promotion of corporate governance, relevant codes and regulations are also disclosed on the company's internal website <http://intranet.ts.com.tw>, external website <http://www.ts.com.tw> and public information observation station <http://mops.twse.com.tw>.

(8) Other important information that is sufficient to enhance the understanding of corporate governance operations:

- (1) Follow the internal control system, implement continuously and effectively, implement internal control self-inspection, strengthen the audit and report to the board of directors, and enable the directors and supervisors to understand and achieve the purpose of attention and supervision.
- (2) Implement the spokesperson system, make information transparent, and fully expose relevant major information.  
Let shareholders have the right to equal information.
- (3) Continue to arrange courses to handle the further training of directors and supervisors,  
to implement the spirit of corporate governance from the board of directors.

Attached Table (A): Listed counter companies should record matters concerning the operation of corporate governance-directors, Independent directors and managers participating in external training courses

| Title                   | Name           | Study Date |            | Organizer  | Course Name   | Training Hours |
|-------------------------|----------------|------------|------------|--|---|----------------|
|                         |                | Start Date | End Date   |  |   |                |
| Director                | Wang Shiu Ting | 2022.11.30 | 2022.11.30 | The Accounting Research and Development Foundation | The Latest Development of the ESG and the Financial Statement Self-Preparation Policies and Internal Control Management Practices | 6.0            |
| Director Representative | Wang Xing Lei  | 2022.11.30 | 2022.11.30 | The Accounting Research and Development Foundation | The Latest Development of the ESG and the Financial Statement Self-Preparation Policies and Internal Control Management Practices | 6.0            |
| Director Representative | Liu Chang Yu   | 2022.11.03 | 2022.11.03 | Securities and Futures Institute                   | Introduction to Right of Disgorgement and Related Cases   | 3.0            |
| Director Representative | Liu Chang Yu   | 2022.11.15 | 2022.11.15 | Securities and Futures Institute                   | ESG New Economy and New Opportunities for Enterprise Transformation   | 3.0            |
| Independent Director    | Jhan Cian Long | 2022.10.19 | 2022.10.19 | Securities and Futures Institute                   | Introduction to Right of Disgorgement and Related Cases   | 3.0            |
| Independent Director    | Jhan Cian Long | 2022.10.19 | 2022.10.19 | Securities and Futures Institute                   | Challenges and Opportunities of Sustainable Development Path and Introduction of Greenhouse Gas Inventory                         | 3.0            |
| Independent Director    | Lin Bo Sheng   | 2022.10.11 | 2022.10.11 | Securities and Futures Institute                   | M&A Practices   | 3.0            |
| Independent Director    | Lin Bo Sheng   | 2022.11.04 | 2022.11.04 | Taiwan Corporate Governance Association            | Mergers & Acquisitions Practices and Case Studies   | 3.0            |
| Independent Director    | Fan Hong Shu   | 2022.11.04 | 2022.11.04 | Taiwan Corporate Governance Association            | Corporate governance and regulations relating to securities   | 3.0            |
| Independent Director    | Fan Hong Shu   | 2022.08.25 | 2022.08.25 | Taipei Exchange                                    | The Insider Equity Publicity Seminar of the Company Over-the-counter Market   | 3.0            |
| Independent Director    | Ma Shu Zhuang  | 2022.06.29 | 2022.06.29 | Taiwan Corporate Governance Association            | Knowing, Facing, and Responding to CFC  | 3.0            |
| Independent Director    | Ma Shu Zhuang  | 2022.07.27 | 2022.07.27 | Taiwan Stock Exchange Corporation                  | SUSTAINABLE DEVELOPMENT ROADMAP   | 2.0            |
| Independent Director    | Ma Shu Zhuang  | 2022.08.25 | 2022.08.25 | Taipei Exchange                                    | The Insider Equity Publicity Seminar of the Company Over-the-counter Market   | 3.0            |

Attachment (A\_1): Disclosure of Certification details of employees whose jobs are related to the release of the company's financial information: None

Attached table (B): The company's 2022 employees' further education and education training statistics and expenditures are as follows:

| Course Category  | Number of courses | Total number of students | Total number of hours | Total cost (NT\$1,000) |
|--|-------------------|--------------------------|-----------------------|------------------------|
| Code of Ethical Conduct & Code of Integrity Management | 55                | 280                      | 280                   | 696                    |
| Preventing Relevant Courses of Insider Trading         | 3                 | 87                       | 111                   |                        |
| Labor safety and health training                       | 179               | 1,590                    | 3,854                 |                        |
| Professional Training                                  | 196               | 7,012                    | 23,663                |                        |
| Management training                                    | 68                | 824                      | 1,687                 |                        |
| General training                                       | 34                | 1,121                    | 2,493                 |                        |
| New Joiner training                                    | 61                | 149                      | 523                   |                        |
| Total  | 596               | 11,063                   | 32,611                |                        |

## (9) Implementation status of internal control system

### (1) Declaration of internal control

Taiwan Semiconductor Co., Ltd.  
Declaration of Internal Control System

Date: March 15, 2023

In 2022, the Company conducted an internal examination in accordance with its Internal Control Regulations and hereby declares as follows:

1. The Company is aware that it is the Board's and managers' responsibility to establish, implement and maintain an internal control system, and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance and protection of assets) of the Company's operations, compliance with relevant laws and regulations and that its financial statements are reliable, up to date and easily accessible.
2. Internal control systems have their inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure achievement of the three above objectives. In addition, an internal control system's effectiveness may change as the environment and circumstances change. The internal control system of the Company features a self-monitoring mechanism. Once identified, the Company will take actions to rectify any deficiency.
3. The Company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter the "Regulations"). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system, as specified in the Regulations, which are broken down based on the management-control process, namely: (1) control environment, (2) risk evaluation, (3) control operation, (4) information and communication and (5) monitoring. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
4. The Company uses the above criteria to determine whether the design and implementation of its internal control system is effective.
5. After an evaluation of the Company's internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2022, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, compliance with the law and that its financial reporting is reliable, up to date and easily accessible.
6. This statement shall become a principal part of the Company's annual report and prospectus and be made available to the public. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This declaration statement has been authorized by the Board of Directors on March 15, 2023, and all seven attendees of the Board have approved the contents of the declaration statement.

Taiwan Semiconductor Co., Ltd.

Chairman: Wang Shiu Ting Signature

President: Wang Shiu Ting Signature



(2) Those who entrust professional accountants to review the internal control system: none

(10) In the most recent year and as of the publication date of the annual report, the company and its internal personnel may have been punished in accordance with the law, or the company has imposed penalties on its internal personnel for violating the provisions of the internal control system, and the results of the penalties may have a significant impact on shareholders' rights and securities prices. Its punishment content, main deficiency and improvement situation: No such situation.

(11) Important resolutions of the shareholders meeting, audit committee and the board of directors in the most recent year and as of the printing date of the annual report.

| Date       | Agenda Name (shareholders meeting) | Critical Decisions   |
|------------|------------------------------------|--|
| 2022.06.21 | 2022 regular shareholders meeting  | <p>1. Date and time of the shareholders meeting: July 21, 2022 (Tuesday), 9:00 am.</p> <p>2. Location:<br/>No. 96, Meizhou 2nd Road, Yilan City, Yilan County (Taiwan Semiconductor Co., Ltd. Yilan Factory)</p> <p>3. Attendance:<br/>The total number of issued shares of the company (after deducting the number of shares without voting rights stipulated in Article 179 of the Company Act) is 263,485,486 shares. 181,436,156 shares represented by shareholders attending in person and by proxy (The number of electronic voting shares is 130,315,591 shares), it accounts for 68.86% of the total issued shares. The number of attending shares complies with the number of attending shares required by the Company Act and the Articles of Association.</p> <p>4. Attendance: Chairman Wang Shiu Ting, The Director (legal representative) of TSC Auto ID Technology Co., Ltd. Wang Xinglei, The Director (legal representative) of UMC Capital Liu Chang Yu, Independent Director Lin Bo Sheng, Independent Director Fan Hong Shu, Independent Director Ma Shu Zhuang, a total of 6 people attended in person.<br/>Concord International Law Firm: Lawyer Xie Wenqin.<br/>An Hou Jianye Joint Accounting Firm: Accountant Mei Yuanzhen.</p> <p>5. Important resolution matters:<br/>(1) Report items:<br/>1. The company's 2021 business report and 2022 business plan report. Attached business report.<br/>2. The Audit Committee checked the 2021 final accounts report.<br/>3. Report the company's and its subsidiaries' 2021 endorsement guarantees, fund loans to others, circumstances for acquiring or disposing of assets, and circumstances for engaging in derivative financial product transactions.<br/>4. The report on directors' remuneration and employee remuneration distribution in 2021 years.<br/>5. Revision of the Company's 'Code of Practice on Corporate Sustainability' (formerly known as 'Code of Practice on Corporate Social Responsibility').<br/>6. Directors and managers' performance evaluation and remuneration content and a report on the relevance and reasonableness of the amount and the results of the performance evaluation.</p> <p>(2) Recognition matters:<br/>1. Recognize the 2021 business report and financial statement proposal.<br/>Resolution: The voting results of this proposal are as follows:<br/>Number of voting rights of shareholders present at the time of voting: 181,413,156 rights</p> |

| Date   | Agenda Name<br>(shareholders meeting)                            | Critical Decisions   |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
|--|--|--|--|--|------------------------------------|--------|------------------------------|-------|------------------|-------|--|-------|--|--|------------------------------------|--------|------------------------------|-------|------------------|-------|--|-------|--|--|------------------------------------|--------|------------------------------|-------|------------------|-------|--|-------|
|  |  | <table border="1" data-bbox="638 318 1423 591"> <tr> <td>Voting results (including electronic voting)</td> <td>% Of voting rights of shareholders present at the time of voting</td> </tr> <tr> <td>Votes in favor: 173,812,811 rights</td> <td>95.81%</td> </tr> <tr> <td>Votes against: 10,107 rights</td> <td>0.00%</td> </tr> <tr> <td>Votes invalid: 0</td> <td>0.00%</td> </tr> <tr> <td>Votes abstained / No: 7,590,238 rights</td> <td>4.18%</td> </tr> </table> <p data-bbox="600 627 1174 656">[This case was voted on and admitted as per the case]</p> <p data-bbox="600 658 1158 687">2. Recognize the 2021 surplus distribution proposal.</p> <p data-bbox="600 689 1260 719">Resolution: The voting results of this proposal are as follows:</p> <p data-bbox="600 721 1345 750">Number of voting rights of shareholders present at the time of voting:</p> <p data-bbox="600 752 802 781">181,413,156 rights</p> <table border="1" data-bbox="638 784 1423 1061"> <tr> <td>Voting results (including electronic voting)</td> <td>% Of voting rights of shareholders present at the time of voting</td> </tr> <tr> <td>Votes in favor: 173,897,251 rights</td> <td>95.85%</td> </tr> <tr> <td>Votes against: 12,710 rights</td> <td>0.00%</td> </tr> <tr> <td>Votes invalid: 0</td> <td>0.00%</td> </tr> <tr> <td>Votes abstained / No: 7,503,195 rights</td> <td>4.13%</td> </tr> </table> <p data-bbox="638 1097 1241 1126">[This case was voted on and admitted as per the case. ]</p> <p data-bbox="600 1128 754 1158">P.S execution:</p> <p data-bbox="600 1160 1453 1509">The company was approved by the shareholders' meeting on June 21, 2022 2021 surplus distribution. All cases are paid in cash, and set August 3,2022 as the base date for the distribution of cash dividends and employee compensation allotment base date, cash dividends are based on the shareholdings listed in the shareholder register on the basis of the cash dividend distribution. the allotment of NT\$2.5 per share, the total amount of allotment cash dividends is NT\$658,713,715. Appointed from August 24, 2022. The company's stock agent, China Trust Commercial Bank's agency department, issued the case on its behalf. In addition, the director's remuneration is NT\$ 10,816,125 and the employee's remuneration is NT\$ 64,896,750. It has also been distributed on August 24, 2022.</p> <p data-bbox="600 1512 632 1541">(3)</p> <p data-bbox="600 1543 1254 1572">1. Amendments to certain articles of the Company's Articles.</p> <p data-bbox="600 1574 1260 1603">Resolution: The voting results of this proposal are as follows:</p> <p data-bbox="600 1606 1345 1635">Number of voting rights of shareholders present at the time of voting:</p> <p data-bbox="600 1637 802 1666">181,413,156 rights</p> <p data-bbox="600 1702 611 1731">\</p> <table border="1" data-bbox="638 1733 1423 2011"> <tr> <td>Voting results (including electronic voting)</td> <td>% Of voting rights of shareholders present at the time of voting</td> </tr> <tr> <td>Votes in favor: 173,900,729 rights</td> <td>95.85%</td> </tr> <tr> <td>Votes against: 10,129 rights</td> <td>0.00%</td> </tr> <tr> <td>Votes invalid: 0</td> <td>0.00%</td> </tr> <tr> <td>Votes abstained / No: 7,502,298 rights</td> <td>4.13%</td> </tr> </table> <p data-bbox="600 2047 1179 2076">[This case was voted on and passed as per the case. ]</p> | Voting results (including electronic voting) | % Of voting rights of shareholders present at the time of voting | Votes in favor: 173,812,811 rights | 95.81% | Votes against: 10,107 rights | 0.00% | Votes invalid: 0 | 0.00% | Votes abstained / No: 7,590,238 rights | 4.18% | Voting results (including electronic voting) | % Of voting rights of shareholders present at the time of voting | Votes in favor: 173,897,251 rights | 95.85% | Votes against: 12,710 rights | 0.00% | Votes invalid: 0 | 0.00% | Votes abstained / No: 7,503,195 rights | 4.13% | Voting results (including electronic voting) | % Of voting rights of shareholders present at the time of voting | Votes in favor: 173,900,729 rights | 95.85% | Votes against: 10,129 rights | 0.00% | Votes invalid: 0 | 0.00% | Votes abstained / No: 7,502,298 rights | 4.13% |
| Voting results (including electronic voting) | % Of voting rights of shareholders present at the time of voting |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes in favor: 173,812,811 rights           | 95.81%   |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes against: 10,107 rights                 | 0.00%  |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes invalid: 0                             | 0.00%  |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes abstained / No: 7,590,238 rights       | 4.18%  |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Voting results (including electronic voting) | % Of voting rights of shareholders present at the time of voting |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes in favor: 173,897,251 rights           | 95.85%   |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes against: 12,710 rights                 | 0.00%  |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes invalid: 0                             | 0.00%  |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes abstained / No: 7,503,195 rights       | 4.13%  |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Voting results (including electronic voting) | % Of voting rights of shareholders present at the time of voting |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes in favor: 173,900,729 rights           | 95.85%   |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes against: 10,129 rights                 | 0.00%  |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes invalid: 0                             | 0.00%  |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes abstained / No: 7,502,298 rights       | 4.13%  |  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |

| Date   | Agenda Name<br>(shareholders meeting)                            | Critical Decisions  |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
|--|--|---|--|--|------------------------------------|--------|------------------------------|-------|------------------|-------|--|-------|--|--|------------------------------------|--------|------------------------------|-------|------------------|-------|--|-------|
|  |  | <p>2. Amend the " Rules of Procedure for Shareholders Meetings " of the company.<br/> Resolution: The voting results of this proposal are as follows:<br/> Number of voting rights of shareholders present at the time of voting:<br/> 181,413,156</p> <table border="1" data-bbox="638 479 1423 745"> <thead> <tr> <th data-bbox="644 479 1098 577">Voting results (including electronic voting)</th> <th data-bbox="1098 479 1417 577">% Of voting rights of shareholders present at the time of voting</th> </tr> </thead> <tbody> <tr> <td data-bbox="644 577 1098 618">Votes in favor: 173,895,704 rights</td> <td data-bbox="1098 577 1417 618">95.85%</td> </tr> <tr> <td data-bbox="644 618 1098 658">Votes against: 10,155 rights</td> <td data-bbox="1098 618 1417 658">0.00%</td> </tr> <tr> <td data-bbox="644 658 1098 698">Votes invalid: 0</td> <td data-bbox="1098 658 1417 698">0.00%</td> </tr> <tr> <td data-bbox="644 698 1098 739">Votes abstained / No: 7,507,297 rights</td> <td data-bbox="1098 698 1417 739">4.13%</td> </tr> </tbody> </table> <p data-bbox="772 748 1353 779">【This case was voted on and passed as per the case. 】</p> <p>3. Amend the " Procedures for the acquisition or disposal of assets " of the company.<br/> Resolution: The voting results of this proposal are as follows:<br/> Number of voting rights of shareholders present at the time of voting:<br/> 181,413,156</p> <table border="1" data-bbox="638 1032 1423 1299"> <thead> <tr> <th data-bbox="644 1032 1098 1131">Voting results (including electronic voting)</th> <th data-bbox="1098 1032 1417 1131">% Of voting rights of shareholders present at the time of voting</th> </tr> </thead> <tbody> <tr> <td data-bbox="644 1131 1098 1171">Votes in favor: 173,897,734 rights</td> <td data-bbox="1098 1131 1417 1171">95.85%</td> </tr> <tr> <td data-bbox="644 1171 1098 1211">Votes against: 15,131 rights</td> <td data-bbox="1098 1171 1417 1211">0.00%</td> </tr> <tr> <td data-bbox="644 1211 1098 1252">Votes invalid: 0</td> <td data-bbox="1098 1211 1417 1252">0.00%</td> </tr> <tr> <td data-bbox="644 1252 1098 1292">Votes abstained / No: 7,500,291 rights</td> <td data-bbox="1098 1252 1417 1292">4.13%</td> </tr> </tbody> </table> <p data-bbox="772 1301 1353 1332">【This case was voted on and passed as per the case. 】</p> <p>(6) Extraordinary Motions: None<br/> Review of the implementation situation: All implementations have been completed in accordance with the resolution, and the implementation is in good condition.</p> | Voting results (including electronic voting) | % Of voting rights of shareholders present at the time of voting | Votes in favor: 173,895,704 rights | 95.85% | Votes against: 10,155 rights | 0.00% | Votes invalid: 0 | 0.00% | Votes abstained / No: 7,507,297 rights | 4.13% | Voting results (including electronic voting) | % Of voting rights of shareholders present at the time of voting | Votes in favor: 173,897,734 rights | 95.85% | Votes against: 15,131 rights | 0.00% | Votes invalid: 0 | 0.00% | Votes abstained / No: 7,500,291 rights | 4.13% |
| Voting results (including electronic voting) | % Of voting rights of shareholders present at the time of voting |   |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes in favor: 173,895,704 rights           | 95.85%   |   |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes against: 10,155 rights                 | 0.00%  |   |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes invalid: 0                             | 0.00%  |   |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes abstained / No: 7,507,297 rights       | 4.13%  |   |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Voting results (including electronic voting) | % Of voting rights of shareholders present at the time of voting |   |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes in favor: 173,897,734 rights           | 95.85%   |   |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes against: 15,131 rights                 | 0.00%  |   |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes invalid: 0                             | 0.00%  |   |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |
| Votes abstained / No: 7,500,291 rights       | 4.13%  |   |  |  |                                    |        |                              |       |                  |       |  |       |  |  |                                    |        |                              |       |                  |       |  |       |

| Date       | Agenda Name<br>(audit committee)       | Critical Decisions  |
|------------|--|---|
| 2022.03.28 | The 5th meeting of 4th Audit Committee | <p>1. Report items:</p> <p>(1) The minutes of the last meeting and its implementation.<br/>Note: It has been implemented in accordance with the resolutions of the Audit Committee.</p> <p>(2) Important financial business report:</p> <p>1. The endorsement guarantee status of the company and its subsidiaries as of December 31, 2021, the situation of fund lending to others, the situation of acquiring or disposing of assets by engage in the trading of derivative financial products.</p> <p>2. The company's endorsement guarantee as of February 28, 2022: None.</p> <p>3. The company's capital loan to others as of February 28, 2022: None</p> <p>4. The company's activities as of February 28, 2022 Derivative financial product transactions.</p> <p>5. The company's 2021 business report.</p> <p>(3) Internal audit business report:</p> <p>1. Report on the establishment of communication channels with stakeholders in 2021</p> <p>2. Report on the implementation of the Company's Corporate Sustainability (formerly known as "Corporate Social Responsibility") in 2021</p> <p>3. Report on the risk management policies and procedures, disclosure of risk management areas, organizational structure and their operation in 2021</p> <p>4. Report on the Company's "Succession Plan"</p> <p>5. Report that the Company has established the Capital Expenditure Review Committee (CERC) Constitution and to establish the Capital Expenditure Review Committee.</p> <p>6. The competent authority requires the preparation of its own progress reports on financial reporting, which are submitted to the Audit Committee and the Board of Directors for the development of specific improvement plans</p> <p>(4) Other important reporting matters: None</p> <p>2. Discussion items:</p> <p>(1) Items reserved for discussion at the last meeting. (None)</p> <p>(2) Matters scheduled for discussion at this meeting.</p> <p>Case 1<br/>Discuss and approve the individual financial report of the company in the Republic of China in 2021 and the consolidated financial report has been prepared, and appointed An Hou Jianye United Certified Public Accountants Mei Yuanzhen and Xu Yufeng accountants to check, and plan to issue an unqualified opinion inspection report.<br/>Resolution: This case has been consulted by the chairman of all directors present, no objection was passed with applause.</p> <p>Case 2<br/>Proposal: To discuss and approve the company's surplus distribution for the year 2021, NT\$2.5 per share shall be allotted according to the shares held in the shareholder register on the basis date of the distribution of cash dividends.<br/>The proposed distribution of shareholder dividends of NT\$658,713,715 all in cash.<br/>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 3<br/>Proposal: Discuss and approve the company's code of practice in accordance with the corporate governance of listed companies. Article 29 Paragraph 2 stipulates that companies listed on the OTC shall regularly (At least once a year) Assess the independence and competence of the appointed accountant. According to this rule, The company refers to the</p> |

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|            |  | <p>Republic of China Accountants Professional Ethics Bulletin No. 10 "Integrity, impartiality, objectivity and independence" and Article 46 of the Accountants Act and the matters listed in Article 47 shall be determined by the Company's Finance Department on the competence and competence of certified public accountants. Independent inspection, did not find that the company's certified accountant and cases of unfitness and violation of independence by related personnel occurred.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 4</p> <p>Proposal: Discuss and approve the amendments to certain articles of the Company's Articles.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 5</p> <p>Proposal: Discuss and approve the amendments of the " Rules of Procedure for Shareholders Meetings ".</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 6</p> <p>Proposal: Discuss and approve the amendments of the "Corporate Governance Code ".</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 7</p> <p>Proposal: Discuss and approve the amendments of the "Procedures for the acquisition or disposal of assets".</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 8</p> <p>Proposal: Discuss and approve the amendments of the "Internal Control System".</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 9</p> <p>Proposal: Discuss and approve the issuance of the "Statement of Internal Control System" for the year 2021 in accordance with the relevant laws and regulations and the results of the Company's self-inspection.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 10</p> <p>Proposal: Discuss and approve the renewal of Directors' and Managers' liability insurance.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>3. Provisional Motion: None</p> <p>4. the meeting adjourned</p> |
| 2022.05.11 | The 6th meeting of 4th Audit Committee | <p>1. Report items:</p> <p>(1) The minutes of the last meeting and its implementation.</p> <p>Note: It has been implemented in accordance with the resolutions of the Audit Committee.</p> <p>(2) Important financial business report:</p> <p>1. The company's endorsement guarantee as of April 30, 2022: None.</p> <p>2. The company's capital loans to others as of April 30, 2022: None.</p> <p>3. The company as of April 30, 2022:</p> <p>Circumstances of engaging in derivative financial product transactions</p> <p>4. The consolidated financial quarterly report for the first quarter of 2022.</p> <p>The company's consolidated financial quarterly report for the first quarter of 2021. It has been compiled by itself, and appointed An Hou Jianye Joint</p>   |

|            |  |   |
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|            |  | <p>Accounting Firm Mei Yuanzhen and Xu Yufeng Accountants.</p> <p>After review, and after printing by the chairman, manager and accounting supervisor, plan to issue a review report and consolidated financial quarterly report.</p> <p>(3) Internal audit business report:</p> <ol style="list-style-type: none"> <li>To report on internal audit operations in accordance with Article 3 of the Company's "Audit Committee Organizational Rules".</li> <li>The content date of this Audit Committee audit business report is March to April 2022.</li> <li>Require Internal Auditors to follow up the report quarterly per September 27, 2021, Public Announcement No. Securities-TPEX-Supervision-1100201793 of the Taipei Exchange; for implementation from the date of the announcement.</li> </ol> <p>(4) Other important reporting matters: None</p> <p>2. Discussion items:</p> <ol style="list-style-type: none"> <li>Items reserved for discussion at the last meeting. (None)</li> <li>Matters scheduled for discussion at this meeting. <ul style="list-style-type: none"> <li>Case 1</li> <li>Proposal: Discuss and approve to strengthen the Company's working capital, and renewal of the bank loan facilities, which are expected to gradually mature in 2022.</li> <li>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</li> </ul> </li> </ol> <p>3. Provisional Motion: None</p> <p>4. the meeting adjourned</p> |
| 2022.06.21 | The 7th meeting of 4th Audit Committee | <p>1. Report items:</p> <ol style="list-style-type: none"> <li>The minutes of the last meeting and its implementation.</li> </ol> <p>Note: It has been implemented in accordance with the resolutions of the Audit Committee.</p> <p>(2) Important financial business report:</p> <ol style="list-style-type: none"> <li>The company's endorsement guarantee as of May 31, 2022: None.</li> <li>The company's capital loans to others as of May 31, 2022: None.</li> <li>The company as of May 31, 2022 Circumstances of engaging in derivative financial product transactions</li> </ol> <p>(3) Internal audit business report:</p> <ol style="list-style-type: none"> <li>To report on internal audit operations in accordance with Article 3 of the Company's "Audit Committee Organizational Rules".</li> <li>The content date of this Audit Committee audit business report is May 2022.</li> </ol> <p>(4) Other important report items: None.</p> <p>2. Discussion items:</p> <ol style="list-style-type: none"> <li>Items reserved for discussion at the last meeting. (None)</li> <li>Matters scheduled for discussion at this meeting. (None)</li> </ol> <p>3. Provisional Motion: None</p> <p>4. the meeting adjourned</p>  |
| 2022.08.10 | The 8th meeting of 4th Audit Committee | <p>1. Report items:</p> <ol style="list-style-type: none"> <li>The minutes of the last meeting and its implementation.</li> </ol> <p>Note: It has been implemented in accordance with the resolutions of the Audit Committee.</p> <p>(2) Important financial business report:</p> <ol style="list-style-type: none"> <li>The company's endorsement guarantee as of July 31, 2022: None.</li> <li>The company's capital loans to others as of July 31, 2022: None.</li> <li>The company as of July 31, 2022 Circumstances of engaging in derivative financial product transactions</li> <li>The consolidated financial quarterly report for the second quarter of 2022. The company's consolidated financial quarterly report for the second quarter of 2022. It has been compiled by itself, inviting Mei Yuanzhen and Xu Yufeng from An Hou Jianye Joint Accounting Firm to review, And after printing by the chairman, manager and accounting supervisor, It is planned to issue a review report and consolidated financial quarterly report.</li> </ol> <p>(3) Internal audit business report:</p>   |

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|            |  | <p>1. To report on internal audit operations in accordance with Article 3 of the Company's "Audit Committee Organizational Rules".</p> <p>2. The content date of this Audit Committee audit business report is June to July 2022.</p> <p>(4) Other important report items: None</p> <p>2. Discussion items:</p> <p>(1) Items reserved for discussion at the last meeting: None</p> <p>(2) Matters scheduled for discussion at this meeting:</p> <p>Case 1</p> <p>Proposal: Discuss and approve that the Company intends to participate in the investment in Achi Capital GP Limited for a total amount not exceeding US\$5 million.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>3. Provisional Motion: None</p> <p>4. the meeting adjourned</p>  |
| 2022.11.09 | The 9th meeting of 4th Audit Committee | <p>1. Report items:</p> <p>(1) The minutes of the last meeting and its implementation.</p> <p>Note: It has been implemented in accordance with the resolutions of the Audit Committee.</p> <p>(2) Important financial business report:</p> <p>1. The company's endorsement guarantee as of October 31, 2022: None.</p> <p>2. The company's capital loans to others as of October 31, 2022: None.</p> <p>3. The company's activities as of October 31, 2022 Derivative financial commodity trading situation</p> <p>4. The consolidated financial quarterly report for the third quarter of 2022.</p> <p>The company's consolidated financial quarterly report for the third quarter of 2022</p> <p>It has been compiled by itself, Inviting Mei Yuanzhen and Xu Yufeng from An Hou Jianye Joint Accounting Firm to review, And after printing by the chairman, manager and accounting supervisor, It is planned to issue a review report and consolidated financial quarterly report.</p> <p>(3) Internal audit business report:</p> <p>1. To report on internal audit operations in accordance with Article 3 of the Company's "Audit Committee Organizational Rules". The content date of this Audit Committee audit business report is August to October 2022.</p> <p>2. Require Internal Auditors to follow up the report quarterly per September 27, 2021, Public Announcement No. Securities-TPEX-Supervision-1100201793 of the Taipei Exchange; for implementation from the date of the announcement.</p> <p>The Company's financial statements have been self-prepared and reported to the Audit Committee and the Board of Directors, and as at third quarter in 2022, the Company has completed the self-prepared financial statements and provided details of the checks</p> <p>(4) Other important report items: None</p> <p>2. Discussion items:</p> <p>(1) Items reserved for discussion at the last meeting: None</p> <p>(2) Matters scheduled for discussion at this meeting:</p> <p>Case 1</p> <p>Proposal: Discuss and approve the amendments of the "Regulations on Internal Material Information Handling and Prevention of Insider Trading".</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 2</p> <p>Proposal: Discuss and approve the amendments of the "Rules of Procedure for the Board of Directors Meetings".</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>3. Provisional Motion: None</p> |

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|            |   | 4. the meeting adjourned  |
| 2022.12.28 | The 10th meeting of 4th Audit Committee | <p>1. Report items:</p> <p>(1) The minutes of the last meeting and its implementation.<br/>Note: It has been implemented in accordance with the resolutions of the Audit Committee.</p> <p>(2) Important financial business report:</p> <p>1. The company's endorsement guarantee as of November 30, 2022: None.</p> <p>2. The company's capital loans to others as of November 30, 2022: None.</p> <p>3. The company's activities as of November 30, 2022<br/>Derivative financial commodity trading situation</p> <p>(3) Internal audit business report:</p> <p>1. To report on internal audit operations in accordance with Article 3 of the Company's "Audit Committee Organizational Rules". The content date of this Audit Committee audit business report is November 2022.</p> <p>(4) Other important report items : None</p> <p>2. Discussion items:</p> <p>(1) Items reserved for discussion at the last meeting: None</p> <p>(2) Matters scheduled for discussion at this meeting:</p> <p>Case 1<br/>Proposal: Discuss and approve the company's 2023 business plan.<br/>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 2<br/>Proposal: Discuss and approve the formulation of the Company's 2023.<br/>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 3<br/>Proposal: Discuss and approve to strengthen the Company's working capital and improve the financial structure, and renewal of the bank loan facilities, which are expected to gradually mature in 2023.<br/>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 4<br/>Proposal: Discuss and approve the need to avoid the impact of exchange rate changes on huge profits and losses. Renewal of the trading quota for derivative financial products that expire in 2023.<br/>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>3. Provisional Motion: None</p> <p>4. the meeting adjourned</p> |
| 2023.03.15 | The 11th meeting of 4th Audit Committee | <p>1. Report items:</p> <p>(1) The minutes of the last meeting and its implementation.<br/>Note: It has been implemented in accordance with the resolutions of the Audit Committee.</p> <p>(2) Important financial business report:</p> <p>1. The company and its subsidiaries' endorsement guarantee status as of December 31, 2022,<br/>The situation of fund lending to others, the situation of acquiring or disposing of assets,<br/>Engage in the trading of derivative financial products.</p> <p>2.The company's endorsement guarantee as of February 28, 2023: None.</p> <p>3. The company's capital loans to others as of February 28, 2023: None.</p> <p>4. The company's activities as of February 28, 2023 Derivative financial commodity trading situation</p> <p>5. The company's 2022 business report.</p> <p>(3) Internal audit business report:</p> <p>1. To report on internal audit operations in accordance with Article 3 of the Company's "Audit Committee Organizational Rules". The content date of this Audit Committee audit business report is December 2022 to February 2023.</p>  |

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|  | <p>(4) Other important report items :</p> <ol style="list-style-type: none"> <li>1. A report on the company's establishment of communication channels with stakeholders in 2022</li> <li>2. The Report of the Company's 2022 Corporate Sustainability (ESG) Implementation.</li> <li>3. The Report of the Company's 2022 Risk management policies and procedures, disclosure of risk management areas, organisational structure and operation</li> <li>4. Report of the Company's 2022 on the development, operation and implementation of the Integrity Management Policy and Prevention Programmed</li> <li>5. The Report of the Company's 2022 on the results of the Head of Corporate Governance's review of the compliance of the qualifications of independent directors with the relevant statutory regulations at the time of their nomination, election and during their tenure of office.</li> </ol> <p>2. Discussion items:</p> <p>(1) Items reserved for discussion at the last meeting: None</p> <p>(2) Matters scheduled for discussion at this meeting:</p> <p>Case 1</p> <p>Proposal: Discuss and approve the repatriation of earnings of the Company's subsidiaries.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 2</p> <p>Proposal: Discuss and approve the individual financial report of the company in the Republic of China in 2022 and the consolidated financial report has been prepared, and appointed An Hou Jianye United Certified Public Accountants Mei Yuanzhen and Xu Yufeng accountants to check, and plan to issue an unqualified opinion inspection report..</p> <p>Resolution: This case has been consulted by the chairman of all directors present, no objection was passed with applause.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 3</p> <p>Proposal: The Company's appointment of CPA Mei Yuanzhen and CPA Xu Yufeng as the Company's certified public accountants was discussed and approved, and due to an internal organizational change in the accounting firm, the Company changed its certified public accountants to CPA Guo Yanglun and CPA Xiao Peiru, both from the first quarter of 2023.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 4</p> <p>Proposal: Discuss and approve the company's code of practice in accordance with the corporate governance of listed companies. Article 29 Paragraph 2 stipulates that companies listed on the OTC shall regularly (At least once a year) refer to the audit quality indicators (AQIs) to assess the independence and competence of the appointed accountant. According to this rule, the company refers to the Republic of China Accountants Professional Ethics Bulletin No. 10 "Integrity, impartiality, objectivity and independence" and Article 46 of the Accountants Act and the matters listed in Article 47 shall be determined by the Company's Finance Department on the competence and competence of certified public accountants. Independent inspection, did not find that the company's certified accountant and cases of unfitness and violation of independence by related personnel occurred.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 5</p> |
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|  |  | <p>Proposal: Discuss and approve the Company's intends to establish general principles for the Company's pre-approved non-confirmation service policy in accordance with the International Ethics Standards Board for Accountants (IESBA) Revised Code.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 6</p> <p>Proposal: To discuss and approve the company's surplus distribution for the year 2022, NT\$4.0 per share shall be allotted according to the shares held in the shareholder register on the basis date of the distribution of cash dividends. The proposed distribution of shareholder dividends of NT\$1,053,941,944 all in cash.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 7</p> <p>Proposal: Discuss and approve the amendments to certain articles of the Company's Articles.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 8</p> <p>Proposal: Discuss and approve the issuance of the "Statement of Internal Control System" for the year 2022 in accordance with the relevant laws and regulations and the results of the Company's self-inspection.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 9</p> <p>Proposal: Discuss and approve the renewal of Directors' and Managers' liability insurance.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 10</p> <p>Proposal: Discuss and approve the Company intends to file a supplemental public offering and application for listing to the competent authorities for its 2019 Annual Private Placement of Ordinary Shares.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>3. Provisional Motion: None</p> <p>4. the meeting adjourned</p> |
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| Date       | Agenda Name<br>(board of directors)                        | Critical Decisions  |
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| 2022.01.10 | The 5th meeting of the 15 <sup>th</sup> board of directors | <p>1. Report items:<br/> (1) The minutes of the last meeting and its implementation.<br/> Note: It has been implemented in accordance with the resolutions of the board of directors.<br/> (2) Important financial business report: None<br/> (3) Internal audit business report: None<br/> (4) Other important report items: None</p> <p>2. Discussion items: None<br/> (1) Items reserved for discussion at the last meeting. (None)<br/> (2) Matters scheduled for discussion at this meeting.<br/> Case 1<br/> Proposal: Discuss and approve the Company cancelled 1,600,000 treasury shares and set January 10, 2022 as the base date for the cancellation of treasury shares, and applied to the Ministry of Economic Affairs for capital change registration and stock cancellation in accordance with the statutory procedures.<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>3. Provisional Motion: None<br/> 4. the meeting adjourned</p>  |
| 2022.03.28 | The 6th meeting of the 15 <sup>th</sup> board of directors | <p>1. Report items:<br/> (1) The minutes of the last meeting and its implementation.<br/> Note: It has been implemented in accordance with the resolutions of the board of directors.<br/> (2) Important financial business report:<br/> 1. The endorsement guarantee status of the company and its subsidiaries as of December 31, 2021, the situation of fund lending to others, the situation of acquiring or disposing of assets by engage in the trading of derivative financial products.<br/> 2. The company's endorsement guarantee as of February 28, 2022: None.<br/> 3. The company's capital loan to others as of February 28, 2022: None<br/> 4. The company's activities as of February 28, 2022<br/> Derivative financial product transactions.<br/> 5. The company's 2021 business report.<br/> 6. Directors and managers' performance evaluation and remuneration content and a report on the relevance and reasonableness of the amount and the results of the performance evaluation.<br/> (3) Internal audit business report:<br/> 1. According to Article 10 of the Company's Board of Directors' Rules of Procedure, conduct internal audit business reports.<br/> 2. According to Article 12 of the Internal Control System Processing Guidelines, the organizational adjustment of the Company's finance department shall report to the board of directors. And in accordance with the provisions of Article 29 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", the listed companies shall have the agent of the Financial Chief Office. The senior manager of internal audit, Luo Yue Gui will reassign as the agent of the Financial Chief Office, and the supervisor of the financial department, Lian Yu Zhen will reassign as the agent of the auditor. He has participated in professional training courses related to auditing for more than 18 hours within 6 months.<br/> 3. This board of directors audit business report. The content date is from December 2021 to February 2022.<br/> 4. Require Internal Auditors to follow up the report quarterly per September 27, 2021, Public Announcement No. Securities-TPEX-Supervision-1100201793 of the Taipei Exchange; for implementation from the date of the announcement.</p> |

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|  | <p>(4) Other important report items:</p> <ol style="list-style-type: none"> <li>1. Report on the establishment of communication channels with stakeholders in 2021</li> <li>2. Report on the implementation of the Company's Corporate Sustainability (formerly known as "Corporate Social Responsibility") in 2021</li> <li>3. Report on the risk management policies and procedures, disclosure of risk management areas, organizational structure and their operation in 2021</li> <li>4. Report on the Company's "Succession Plan"</li> <li>5. Report that the Company has established the Capital Expenditure Review Committee (CERC) Constitution and to establish the Capital Expenditure Review Committee.</li> <li>6. The competent authority requires the preparation of its own progress reports on financial reporting, which are submitted to the Audit Committee and the Board of Directors for the development of specific improvement plans</li> <li>7. According to Article 9 of the Organizational Rules of the Company's Salary and Remuneration Committee, submit the minutes of the 5th Salary and Compensation Committee of the 4th Session of the Company.</li> </ol> <p>2. Discussion items:</p> <ol style="list-style-type: none"> <li>(1) Items reserved for discussion at the last meeting. (None)</li> <li>(2) Matters scheduled for discussion at this meeting. <ul style="list-style-type: none"> <li>Case 1 <p>Proposal: Discuss and approve the review of the company's directors and The actual payment situation of various salary and remuneration of managers in 2021 year.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> </li> <li>Case 2 <p>Proposal: Discuss and approve the review of the company's 2021 directors' remuneration and employee remuneration cases.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>(Independent director-Mr. Jhan Cian Long made a resolution on this case, and was evaded because of the stakes involved, and did not participate in the discussion and voting).</p> <p>(Independent director-Mr. Lin Bo Sheng made a resolution on this case and was evaded because of the stakes involved, and did not participate in the discussion and voting).</p> <p>(Independent director-Mr. Fan Hong Shu made resolutions on this case, and was evaded because of the stakes involved, and did not participate in the discussion and voting).</p> <p>(Independent director-Mr. Ma Shu Zhuang made resolutions on this case, and was evaded because of the stakes involved, and did not participate in the discussion and voting).</p> <p>(Chairman-Mr. Wang Shiu Ting made a resolution on this and was evaded because of the stakes involved, did not participate in the discussion and voting, and appointed Mr. Wang Xing Lei as acting chairman on the spot).</p> <p>(When the legal person director representative-Mr. Wang Xing Lei resolved this case, and was evaded because of the stakes involved, and did not participate in the discussion and voting).</p> <p>(When the director-Mr. Liu Chang Yu resolved this case, and was evaded because of the stakes involved, and did not participate in the discussion and voting).</p> </li> <li>Case 3 <p>Proposal: Discuss and approve the individual financial report of the company in year 2021 and the consolidated financial report has been prepared, and appointed An Hou Jianye United Certified Public Accountants Mei Yuanzhen and Xu Yufeng accountants to check, and plan to issue an unqualified opinion inspection report..</p> <p>Resolution: This case has been consulted by the chairman of all directors present, no objection was passed with applause.</p> </li> </ul> </li> </ol> |
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|  |  | <p>Case 4<br/> Proposal: To discuss and approve the company's surplus distribution for the year 2021, NT\$2.5 per share shall be allotted according to the shares held in the shareholder register on the basis date of the distribution of cash dividends. The proposed distribution of shareholder dividends of NT\$658,713,715, all in cash.<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 5<br/> Proposal: Discuss and approve the company's code of practice in accordance with the corporate governance of listed companies. Article 29 Paragraph 2 stipulates that companies listed on the OTC shall regularly (At least once a year) Assess the independence and competence of the appointed accountant. According to this rule,<br/> The company refers to the Republic of China Accountants Professional Ethics Bulletin No. 10 "Integrity, impartiality, objectivity and independence" and Article 46 of the Accountants Act and the matters listed in Article 47 shall be determined by the Company's Finance Department on the competence and competence of certified public accountants. Independent inspection, did not find that the company's certified accountant and cases of unfitness and violation of independence by related personnel occurred.<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 6<br/> Proposal: Discuss and approve the amendments to certain articles of the Company's Articles.<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 7<br/> Proposal: Discuss and approve the amendments of the " Rules of Procedure for Shareholders Meetings ".<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 8<br/> Proposal: Discuss and approve the amendment of the company's "Corporate Governance Code".<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 9<br/> Proposal: Discuss and approve the amendments of the "Procedures for the acquisition or disposal of assets".<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 10<br/> Proposal: Discuss and approve the amendments of the "Internal Control System".<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 11<br/> Proposal: Discuss and approve the issuance of the "Statement of Internal Control System" for the year 2021 in accordance with the relevant laws and regulations and the results of the Company's self-inspection.<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 12<br/> Proposal: Discuss and approve the renewal of Directors' and Managers' liability insurance.<br/> Resolution: After the chairman consulted all the directors present, the</p> |
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|            |  | <p>proposal was passed without objection and applauded.</p> <p>Case 13<br/> Proposal: Discuss and approve the company's 2022 shareholders' meeting, which will be scheduled on June 21, 2022 (Tuesday) At 9 o'clock in the morning, the company's Yilan factory (Yilan City, Yilan County No. 96 Zhouer Road) was held, and the voting rights may be exercised electronically.<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 14<br/> Proposal: Discuss and approve the company's 2022 shareholders' meeting, according to Article 172-1 of the Company Act. The period for accepting shareholder proposals is drafted as from April 1st, 2022 to April 11th, 2022.<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>3. Provisional Motion: None<br/> 4. the meeting adjourned</p>   |
| 2022.05.11 | The 7th meeting of the 15 <sup>th</sup> board of directors             | <p>1. Report items:<br/> (1) The minutes of the last meeting and its implementation.<br/> Note: It has been implemented in accordance with the resolutions of the board of directors.<br/> (2) Important financial business report:<br/> 1. The company's endorsement guarantee as of April 30, 2022: None.<br/> 2. The company's capital loans to others as of April 30, 2022: None.<br/> 3. The company as of April 30, 2022:<br/> Circumstances of engaging in derivative financial product transactions<br/> 4. The consolidated financial quarterly report for the first quarter of 2022.<br/> The company's consolidated financial quarterly report for the first quarter of 2022. It has been compiled by itself, and appointed An Hou Jianye Joint Accounting Firm Mei Yuanzhen and Xu Yufeng Accountants.<br/> After review, and after printing by the chairman, manager and accounting supervisor, plan to issue a review report and consolidated financial quarterly report<br/> (3) Internal audit business report:<br/> 1. According to Article 10 of the Company's Board of Directors' Rules of Procedure, conduct internal audit business reports.<br/> 2. This board of directors audit business report, the content date is from March to April 2022.<br/> 3. Require Internal Auditors to follow up the report quarterly per September 27, 2021, Public Announcement No. Securities-TPEX-Supervision-1100201793 of the Taipei Exchange; for implementation from the date of the announcement.<br/> (4) Other important report items: None.</p> <p>2. Discussion items:<br/> (1) Items reserved for discussion at the last meeting. (None)<br/> (2) Matters scheduled for discussion at this meeting.<br/> Case 1<br/> Proposal: Discuss and approve to strengthen the Company's working capital, and renewal of the bank loan facilities, which are expected to gradually mature in 2022.<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>3. Extraordinary Motions: None<br/> 4. The meeting adjourned</p> |
| 2022.06.21 | The 8 <sup>th</sup> meeting of the 15 <sup>th</sup> board of directors | <p>1. Report items:<br/> (1) The minutes of the last meeting and its implementation.<br/> Note: It has been implemented in accordance with the resolutions of the board of directors.<br/> (2) Important financial business report:<br/> 1. The company's endorsement guarantee as of May 31, 2022: None.</p>   |

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|            |  | <p>2. The company's capital loans to others as of May 31, 2022: None.</p> <p>3. The company as of May 31, 2022</p> <p>Circumstances of engaging in derivative financial product transactions</p> <p>(3) Internal audit business report:</p> <p>1. According to Article 10 of the Company's Board of Directors' Rules of Procedure,</p> <p>Conduct internal audit business reports.</p> <p>2. The content date of this board of directors audit business report is May 2022.</p> <p>(4) Other important report items:</p> <p>1. According to the planning contents on the " Sustainability Development Roadmap" as issued by the Financial Supervisory Commission's letter No. 1110381030 dated March 9, 2022, and the provisions of the Securities and Futures Commission's Supervisory Letter No. 1110200505 dated March 22, 2022, he consolidated subsidiaries of listed companies with paid-in capital of less than NT\$5 billion are required to submit to the Board of Directors for approval the "completion of greenhouse gas inventory and verification information disclosure" in 2027, and to submit to the Board of Directors for approval the "completion of greenhouse gas inventory and verification information disclosure" by the end of the second quarter of 2022 and the end of the first quarter of 2023 for the parent company and the Group (including all subsidiaries), respectively, and thereafter to submit to the Board of Directors quarterly reports on the implementation progress to continuously control the completion of the greenhouse gas inventory and verification disclosure schedule.</p> <p>2. Proposed establishment of the Company's Greenhouse Gas Inventory and Verification Schedule</p> <p>2. Discussion items:</p> <p>(1) Items reserved for discussion at the last meeting. (None)</p> <p>(2) Matters scheduled for discussion at this meeting.</p> <p>Case 1:</p> <p>Proposal: Discuss and approve the Company's 2021 Profit Distribution Plan which was approved on June 21, 2022, and drafted on August 3, 2022 as the basis date of distribution of cash dividend and the basis date of distribution of staff remuneration. Since August 24, 2022, distribution will be administered (rounded down to the nearest dollar) by the Transfer Agency Department of CTBC Bank, TWSE's transfer agent.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed with no objection and applauded.</p> <p>3. Extraordinary Motions: None</p> <p>4. The meeting adjourned</p> |
| 2022.08.10 | The 9th meeting of the 15 <sup>th</sup> board of directors | <p>1. Report items:</p> <p>(1) The minutes of the last meeting and its implementation.</p> <p>Note: It has been implemented in accordance with the resolutions of the board of directors.</p> <p>(2) Important financial business report:</p> <p>1. The company's endorsement guarantee as of July 31, 2022: None.</p> <p>2. The company's capital loans to others as of July 31, 2022: None.</p> <p>3. The company as of July 31, 2022</p> <p>Circumstances of engaging in derivative financial product transactions</p> <p>4. The consolidated financial quarterly report for the second quarter of 2022. The company's consolidated financial quarterly report for the second quarter of 2022. It has been compiled by itself, Inviting Mei Yuanzhen and Xu Yufeng from An Hou Jianye Joint Accounting Firm to review, And after printing by the chairman, manager and accounting supervisor, It is planned to issue a review report and consolidated financial quarterly report.</p> <p>(3) Internal audit business report:</p> <p>1. In accordance with Article 10 of the company's Board of Directors' Rules of Procedure, conduct internal audit business reports.</p> <p>2. This board of directors audit the business report,</p>   |

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|            |   | <p>The content date is from June to July 2022.</p> <p>(4) Other important report items: None</p> <p>2. Discussion items:</p> <p>(1) Items reserved for discussion at the last meeting: None</p> <p>(2) Matters scheduled for discussion at this meeting:</p> <p>Case 1</p> <p>Proposal: Discuss and approve the remuneration for the new manager by the Remuneration Committee of the Company.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 2</p> <p>Proposal: Discuss and approve that the Company intends to participate in the investment in Achi Capital GP Limited for a total amount not exceeding US\$5 million.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>3. Extraordinary Motions: None</p> <p>4. The meeting adjourned</p>   |
| 2022.11.09 | The 10th meeting of the 15 <sup>th</sup> board of directors | <p>1. Report items:</p> <p>(1) The minutes of the last meeting and its implementation.</p> <p>Note: It has been implemented in accordance with the resolutions of the board of directors.</p> <p>(2) Important financial business report:</p> <p>1. The company's endorsement guarantee as of October 31, 2022: None.</p> <p>2. The company's capital loans to others as of October 31, 2022: None.</p> <p>3. The company's activities as of October 31, 2022</p> <p>Derivative financial commodity trading situation</p> <p>4. The consolidated financial quarterly report for the third quarter of 2022.</p> <p>The company's consolidated financial quarterly report for the third quarter of 2022</p> <p>It has been compiled by itself, Inviting Mei Yuanzhen and Xu Yufeng from An Hou Jianye Joint Accounting Firm to review, And after printing by the chairman, manager and accounting supervisor, It is planned to issue a review report and consolidated financial quarterly report.</p> <p>(3) Internal audit business report:</p> <p>1. In accordance with Article 10 of the company's Board of Directors' Rules of Procedure, conduct internal audit business reports. The content date of this board of directors audit business report is from August to October 2022.</p> <p>2. The audit was conducted in accordance with the "Greenhouse Gas Inventory and Verification Schedule Plan" reported by the Board of Directors on June 21, 2022 and details of the audit were provided.</p> <p>3. Require Internal Auditors to follow up the report quarterly per September 27, 2021, Public Announcement No. Securities-TPEX-Supervision-1100201793 of the Taipei Exchange; for implementation from the date of the announcement.</p> <p>(4) Other important report items:</p> <p>1. In accordance with the "Regulations for the Prevention of Insider Trading", the Company should conduct insider education at least once a year, and in accordance with the Letter No. 1051200987 dated June 14, 2016, the Company advised all listed companies to broadcast the information on occasions such as board meetings or executive meetings to facilitate the directors, supervisors and managers of the Company who are unable to attend the seminars to understand the insider trading regulations, so as to prevent the Company or insiders from being misled or intentionally violating insider trading regulations due to ignorance of the laws and regulations. The directors, supervisors, managers and employees of the Company should exercise good stewardship and be honest in their duty of care, and should not disclose to others any material internal information of which they are aware. A short presentation video will be sent to all insiders after the meeting on the topic of '2022 relevant laws and case analysis of short-term transaction ownership rights.'</p> |

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|            |  | <p>2. Discussion items:</p> <p>(1) Items reserved for discussion at the last meeting. None</p> <p>(2) Matters scheduled for discussion at this meeting.</p> <p>Case 1</p> <p>Proposal: Discuss and approve the amendments of the "Regulations on Internal Material Information Handling and Prevention of Insider Trading".</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 2</p> <p>Proposal: Discuss and approve the amendments of the "Rules of Procedure for the Board of Directors Meetings".</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>3. Provisional Motion: None</p> <p>4. the meeting adjourned</p>   |
| 2022.12.28 | The 11th meeting of the 15h board of directors | <p>1. Report items:</p> <p>(1) The minutes of the last meeting and its implementation.</p> <p>Note: It has been implemented in accordance with the resolutions of the board of directors.</p> <p>(2) Important financial business report:</p> <p>1. The company's endorsement guarantee as of November 30, 2022: None.</p> <p>2. The company's capital loans to others as of November 30, 2022: None.</p> <p>3. The company's activities as of November 30, 2022</p> <p>Derivative financial commodity trading situation</p> <p>(3) Internal audit business report:</p> <p>1. In accordance with Article 10 of the company's Board of Directors' Rules of Procedure, conduct internal audit business reports. This board of directors audit business report, the content date is November 2022.</p> <p>(4) Other important report items:</p> <p>1. In accordance with the provisions of the Financial Supervisory Commission's letter No. 1090338980 dated May 29, 2020, and the Financial Supervisory Commission's letter No. 10900582661 dated June 12, 2020, the performance evaluation system is conducted to evaluate the overall performance of the board of directors and functional committees. The evaluation targets include the overall operation of the Board of Directors and functional committees, as well as the performance of individual directors and committee members, in order to enhance the effectiveness of the operation of the Board of Directors and functional committees. Documents relating to the self- or peer evaluation of the Board, functional committees, and individual directors and committee members for the year 2022 will be forwarded to all directors and committee members after the meeting. The results of these evaluations will be presented to the Salary and Compensation Committee and the Board of Directors in March 2023.</p> <p>2. Risk assessment is conducted with the Company's "Social Responsibility Risk Assessment Management Regulations" and the circumstances of social responsibility risk assessment.</p> <p>3. According to the Article 9 of Organizational Regulations of the Compensation and Remuneration Committee of the Company, and submit the minutes of 6th meeting of 5th session of Committee.</p> <p>2. Discussion items:</p> <p>(1) Items reserved for discussion at the last meeting. None</p> <p>(2) Matters scheduled for discussion at this meeting.</p> <p>Case 1</p> <p>Proposal: Discuss and approve the remuneration for the new manager by the Remuneration Committee of the Company.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 2</p> <p>Proposal: Discuss and approve the company's 2023 business plan.</p> |

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|            |  | <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 3</p> <p>Proposal: Discuss and approve the formulation of the Company's 2023 internal audit plan.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 4</p> <p>Proposal: discuss to strengthen the Company's working capital and improve the financial structure, and renewal of the bank loan facilities, which are expected to gradually mature in 2023.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 5</p> <p>Proposal: Discuss and approve the need to avoid the impact of exchange rate changes on huge profits and losses. Renewal of the trading quota for derivative financial products that expire in 2023.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>3. Extraordinary Motions: None</p> <p>4.The meeting adjourned</p>   |
| 2023.03.15 | The 12th meeting of the 15h board of directors | <p>1. Report items:</p> <p>(1) The minutes of the last meeting and its implementation.</p> <p>Note: It has been implemented in accordance with the resolutions of the board of directors.</p> <p>(2) Important financial business report:</p> <p>1. The company and its subsidiaries' endorsement guarantee status as of December 31, 2022,</p> <p>The situation of fund lending to others, the situation of acquiring or disposing of assets,</p> <p>Engage in the trading of derivative financial products.</p> <p>2.The company's endorsement guarantee as of February 28, 2023: None.</p> <p>3. The company's capital loans to others as of February 28, 2023: None.</p> <p>4. The company's activities as of February 28, 2023</p> <p>Derivative financial commodity trading situation</p> <p>5. The company's 2022 business report.</p> <p>6. The content and amount of performance evaluation and remuneration of directors and managers</p> <p>Report on the relevance and rationality of performance evaluation results.</p> <p>(3) Internal audit business report:</p> <p>1. In accordance with Article 10 of the company's Board of Directors' Rules of Procedure, conduct internal audit business reports. This board of directors audit the business report, the content date is from December 2022 to February 2023.</p> <p>2. The audit was conducted in accordance with the "Greenhouse Gas Inventory and Verification Schedule Plan" reported by the Board of Directors on June 21, 2022 and details of the audit were provided.</p> <p>(4) Other important report items:</p> <p>1. According to the planning contents on the " Sustainability Development Roadmap" as issued by the Financial Supervisory Commission's letter No. 1110381030 dated March 9, 2022, and the provisions of the Securities and Futures Commission's Supervisory Letter No. 1110200505 dated March 22, 2022, he consolidated subsidiaries of listed companies with paid-in capital of less than NT\$5 billion are required to submit to the Board of Directors for approval the "completion of greenhouse gas inventory and verification information disclosure" in 2027, The verification process was completed in the year 2029, and to submit to the Board of Directors for approval the "completion of greenhouse gas inventory and verification information disclosure" by the end of the second quarter of 2022 and the end of the first quarter of 2023 for the parent company and the Group (including all subsidiaries), respectively, and</p> |

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|  |  | <p>thereafter to submit to the Board of Directors quarterly reports on the implementation progress to continuously control the completion of the greenhouse gas inventory and verification disclosure schedule.</p> <p>2. A report on the company's establishment of communication channels with stakeholders in 2022</p> <p>3. The Report on Company's 2022 Corporate Sustainability (ESG) Implementation</p> <p>4. The Report of the Company's 2022 Risk management policies and procedures, disclosure of risk management areas, organisational structure and operation</p> <p>5. Report of the Company's 2022 on the development, operation and implementation of the Integrity Management Policy and Prevention Programmed</p> <p>6. The Report of the Company's 2022 on the results of the Head of Corporate Governance's review of the compliance of the qualifications of independent directors with the relevant statutory regulations at the time of their nomination, election and during their tenure of office.</p> <p>7. According to the Article 9 of Organizational Regulations of the Compensation and Remuneration Committee of the Company, and submit the minutes of 7th meeting of 5th session of Committee.</p> <p>2. Discussion items:</p> <p>(1) Items reserved for discussion at the last meeting. None</p> <p>(2) Matters scheduled for discussion at this meeting.</p> <p>Case 1</p> <p>Proposal: Discuss and approve the remuneration for the new manager by the Remuneration Committee of the Company.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 2</p> <p>Proposal: Discuss and approve the review of the company's directors and managers.</p> <p>The actual payment situation of various salaries and remunerations in 2022.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 3</p> <p>Proposal: Discuss and approve the repatriation of earnings of the Company's subsidiaries.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 4</p> <p>Proposal reason: Discuss and approve the review of the company's 2022 director's remuneration and employee remuneration case.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 5</p> <p>Proposal: Discuss and approve the company's 2022 individual financial report and</p> <p>The consolidated financial report has been prepared,</p> <p>And appointed An Hou Jianye United Certified Public Accountants Mei Yuanzhen and Xu Yuen accountants to check,</p> <p>And plan to issue an unqualified opinion inspection report case.</p> <p>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 6</p> <p>Proposal: The Company's appointment of CPA Mei Yuanzhen and CPA Xu Yufeng as the Company's certified public accountants was discussed and approved, and due to an internal organizational change in the accounting firm, the Company changed its certified public accountants to CPA Guo Yanglun and CPA Xiao Peiru, both from the first quarter of</p> |
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|  |  | <p>2023.<br/>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 7<br/>Proposal: Discuss and approve the company's code of practice in accordance with the corporate governance of listed companies. Article 29 Paragraph 2 stipulates that companies listed on the OTC shall regularly (At least once a year) refer to the audit quality indicators (AQIs) to assess the independence and competence of the appointed accountant. According to this rule, the company refers to the Republic of China Accountants Professional Ethics Bulletin No. 10 "Integrity, impartiality, objectivity and independence" and Article 46 of the Accountants Act and the matters listed in Article 47 shall be determined by the Company's Finance Department on the competence and competence of certified public accountants. Independent inspection, did not find that the company's certified accountant and cases of unfitness and violation of independence by related personnel occurred.<br/>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 8<br/>Proposal: Discuss and approve the Company's intends to establish general principles for the Company's pre-approved non-confirmation service policy in accordance with the International Ethics Standards Board for Accountants (IESBA) Revised Code.<br/>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 9<br/>Proposal: To discuss and approve the company's surplus distribution for the year 2022, NT\$4.0 per share shall be allotted according to the shares held in the shareholder register on the basis date of the distribution of cash dividends. The proposed distribution of shareholder dividends of NT\$1,053,941,944 all in cash.<br/>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 10<br/>Proposal: Discuss and approve the amendments to certain articles of the Company's Articles.<br/>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 11<br/>Proposal: Discuss and approve the issuance of the "Statement of Internal Control System" for the year 2022 in accordance with the relevant laws and regulations and the results of the Company's self-inspection.<br/>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 12<br/>Proposal: Discuss and approve the renewal of Directors' and Managers' liability insurance.<br/>Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 13<br/>Proposal: Discuss and approve the Company intends to file a supplemental public offering and application for listing to the competent authorities for its 2019 Annual Private Placement of Ordinary Shares.<br/>Resolution: As a representative of UMC Capital, Director Liu Chang Yu has a conflict of interest in the matter related to the private placement of ordinary shares in 2019, in which the represented entity of UMC Capital was one of the subscribers. In accordance with Article 206 of the Company Law, the provisions of Article 178 of the same law shall</p> |
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|  |  | <p>apply, requiring Director Liu Chang Yu to recuse himself from the discussion and voting on this matter. After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 14<br/> Proposal: Discuss and approve the company's 2023 shareholders' meeting, which will be scheduled on June 19, 2023 (Monday) At 9 o'clock in the morning, the company's Yilan factory (Yilan City, Yilan County No. 96 Zhouer Road) was held, and the voting rights may be exercised electronically.<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>Case 15<br/> Proposal: Discuss and approve the company's 2023 shareholders' meeting, according to Article 172-1 of the Company Act. The period for accepting shareholder proposals is drafted as From April 7, 2023 to April 17, 2023.<br/> Resolution: After the chairman consulted all the directors present, the proposal was passed without objection and applauded.</p> <p>3. Provisional Motion: None<br/> 4. the meeting adjourned</p> |
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- (12) The most recent year and as of the printing date of the annual report, Directors or supervisors have different opinions on important resolutions passed by the board of directors, and those with records or written declarations: no such situation.
- (13) In the most recent year, as of the day the annual report was prepared, any of Chairman, President, accounting manager, financial manager, internal audit manager, corporate governance manager and R&D manager resigned or was discharged: None

V. Information on CPAs' fees

(1) Disclosure of audit fees, non-audit fees, and details of non-audit services:

Table 2 of 4 :

**Information on CPA (External Auditor) Professional Fees**

Unit: NT\$ Thousands

| Name of accounting firm                           | Names of CPAs |            | Period covered by the CPA audit | Audit fees | Non-audit Fees | Total | Remarks |
|---|---------------|------------|---------------------------------|------------|----------------|-------|---------|
|   |               |            |                                 |            |                |       |         |
| An Hou Jianye United Certified Public Accountants | Mei Yuan Zhen | Xu Yu Feng | Year 2022                       | 5,175      | 1,173          | 6,348 |         |

Details of Non-audit Fees:

1. Transfer pricing and the final payment for 2020 Report and Master File was NT\$210 thousand.
  2. Transfer pricing and the first deposit of expenses for 2021 Report and Master File was NT\$210 thousand.
  3. Transfer pricing and the final payment for 2021 Report and Master File was NT\$200 thousand.
  4. Taiwan Semiconductor Mainland China Surplus Remittance Service Fee is NT\$250 thousand for 2021.
  5. 2021 Annual Recoverable Amount Appraisal Report - First & Final Payment of NT\$290 thousand was entrusted to Taiwan United Accountants.
  6. The handling fee for business registration of TWD 13 thousand was entrusted to Dechang United Certified Public Accountants
- (I) Change of CPA firm and the audit fees paid in the year of the change are less than those paid in the previous year: Not applicable.
- (II) Audit fees paid in the current year are at least 10% less than those paid in the previous year: Not applicable.

Note: If the company changed its CPAs or accounting firm during the fiscal year, list the audit periods before and after the change separately, and specify the reason for the change in the "Remarks" column and disclose sequentially the audit and non-audit fees paid. For non-audit fees, additionally specify the content of the services.

6. Change of accountant information: The Company's appointment of CPA Mei Yuanzhen and CPA Xu Yufeng as the Company's certified public accountants was discussed and approved, and due to an internal organizational change in the accounting firm, the Company changed its certified public accountants to CPA Guo Yanglun and CPA Xiao Peiru, both from the first quarter of 2023.

7. TSC's Chairman, Presidents, Chief Financial Officer, and Managers in Charge of Its Finance and Accounting Operations Did Not Hold Any Positions in TSC's Independent Auditing Firm or Its Affiliates in the Most Recent Year

8. Change in Shareholding of Directors, Managers and Major Shareholders Who Own 10% or More of TSC Shares

(1) Shareholding changes of directors, supervisors, managers and major shareholders

| Job title  | Name                             | Year of 2022                        |   | Current fiscal year as of April 21  |   |
|--|----------------------------------|-------------------------------------|---|-------------------------------------|---|
|  |                                  | Shareholding increase (or decrease) | Pledged shareholding increase (or decrease) | Shareholding increase (or decrease) | Pledged shareholding increase (or decrease) |
| Chairman and President   | Wong Shiu Ting                   | 775,000<br>0                        | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Director   | TSC Auto ID Technology Co., Ltd. | 1,200,000<br>0                      | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Representative of Corporate Directors and Vice President                     | Wang Xing Lei                    | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Director   | UMC Capital                      | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Representative of Corporate Directors  | Liu Chang Yu                     | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Independent Director   | Jhan Cian Long                   | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Independent Director   | Fan Hong Shu                     | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Independent Director   | Lin Bo Sheng                     | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Independent Director   | Ma Shu Zhuang                    | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Vice President   | Wang Xing Lei                    | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Senior Vice President  | Wang Shiu Fon                    | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Vice President   | Yan Guo Yin                      | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Vice president, Chief Financial Officer, and Manager of corporate governance | Adam Cheng                       | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Director   | Wu Zhi Kuan                      | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Assistant Vice President   | Rexis Cagbabanua Manabit         | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Vice president (Appointment on 2022.01.01)                                   | Liu Mei Feng                     | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Vice president (Appointment on 2022.07.13)                                   | Zhang Qing Xiang                 | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Vice president (Appointment on 2022.12.26)                                   | Jin Rui Sen                      | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Vice president (Appointment on 2023.03.06)                                   | Yu Shi Heng                      | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |
| Assistant Vice President   | Lin Ke Qi                        | 0<br>0                              | 0<br>0                                      | 0<br>0                              | 0<br>0                                      |

|  |                          |           |   |   |   |
|--|--------------------------|-----------|---|---|---|
| Director   | Wu Zhi Kuan              | 0         | 0 | 0 | 0 |
|  |                          | 0         | 0 | 0 | 0 |
| Assistant Vice President                                       | MANABIT REXIS CAGBABANUA | 0         | 0 | 0 | 0 |
|  |                          | 0         | 0 | 0 | 0 |
| Assistant Vice President<br>(Appointment on 2022.09.05)        | Wu Kun Fang              | 0         | 0 | 0 | 0 |
|  |                          | 0         | 0 | 0 | 0 |
| Senior Assistant Vice President<br>(Appointment on 2022.12.01) | Lin Wen Bin              | 0         | 0 | 0 | 0 |
|  |                          | 0         | 0 | 0 | 0 |
| Assistant Vice President<br>(Resigned on 2022.06.03)           | Cai Yi Long              | 1,000     | 0 | 0 | 0 |
|  |                          | (222,000) | 0 | 0 | 0 |

Remarks: The above information on equity changes is reported to the competent authority  
The number of shares in the tenure

Note 1: If the counterparty of the equity transfer or equity pledge is a related person, the following table should be filled out.

(2) Equity transfer information:

| Name (Note 1) | Reasons for equity transfer (Note 2) | transaction date | Counterparty | Transaction counterparties and company directors, supervisors, managers and Relationship between shareholders with a shareholding ratio of more than 10% | Number of shares | Trading price |
|---------------|--------------------------------------|------------------|--------------|--|------------------|---------------|
| None          | None                                 | None             | None         | None   | None             | None          |

Note 1: The company's directors, supervisors,  
The name of the manager and the shareholder whose shareholding ratio exceeds 10%.  
Note 2: It is to list the acquisition or punishment.

(3) Equity pledge information:

| Name | Reason for change in pledge status | Date of Change | Counterparty | Relationship between the counterparty and the Company, directors, supervisors, managerial officers, and major shareholders | Shares | Shareholding Ratio (2022.04.23) | Pledge ratio (2022.04.23) | Amount borrowed under pledges (or redeemed) |
|------|------------------------------------|----------------|--------------|--|--------|---------------------------------|---------------------------|---|
| None | None                               | None           | None         | None   | None   | None                            | None                      | None  |

9. Relationship Among the Top Ten Shareholders

Relationship Among the Top Ten Shareholders

April 21, 2023

| Name  | Shareholding |                     | Shareholding of spouse and minor children |                     | Total shareholding by nominee arrangements |                     | The top ten shareholders with a relationship with each other as a related party of the Financial Accounting Standards Bulletin No. 6, whose name and relationship |  | Remark |
|---|--------------|---------------------|---|---------------------|--|---------------------|---|--|--------|
|   | Shares       | Share holding ratio | Shares                                    | Share holding ratio | Shares                                     | Share holding ratio | Name  | Relationship   |        |
| TSC Auto ID Technology Co., Ltd.              | 14,800,000   | 5.62%               | 0   | 0                   | 0  | 0                   | Wang Shiu Ting, Taiwan Semiconductor Co., Ltd., Nianci Investment Co., Ltd., Arthur Investment Co., Ltd.  | First-degree relative, Representative of Corporate Directors, Vice President, Spouse |        |
| Wang Xing Lei                                 | 146,000      | 0.06%               | 116,000                                   | 0.04%               | 285,000                                    | 0.11%               |   |  |        |
| Fubon Life Insurance Co., Ltd.                | 12,618,000   | 4.79%               | 0   | 0                   | 0  | 0                   | None  | None   |        |
| Cai Ming Xing                                 | 0            | 0.00%               | 0   | 0                   | 0  | 0                   | None  | None   |        |
| Wang Shiu Ting                                | 12,383,340   | 4.70%               | 0   | 0                   | 4,450,000                                  | 1.69%               | Nianci Investment Co., Ltd., Nianci Investment Co., Ltd., TSC Auto ID Technology Co., Ltd. Arthur Investment Co., Ltd.  | Person in charge, Director, First-degree relative                                    |        |
| Yuanta Taiwan High-yield Leading Company Fund | 11,000,000   | 4.17%               | 0   | 0                   | 0  | 0                   | None  | None   |        |

| Name  | Shareholding |                     | Shareholding of spouse and minor children |                     | Total shareholding by nominee arrangements |                     | The top ten shareholders with a relationship with each other as a related party of the Financial Accounting Standards Bulletin No. 6, whose name and relationship |   | Remark |
|---|--------------|---------------------|---|---------------------|--|---------------------|---|---|--------|
|   | Shares       | Share holding ratio | Shares                                    | Share holding ratio | Shares                                     | Share holding ratio | Name  | Relationship                                      |        |
| Arthur Investment Co., Ltd.   | 10,457,002   | 3.97%               | 0   | 0                   | 0  | 0                   | Wang Shiu Ting,<br>Wang Xing Lei  | First-degree relative,<br>Spouse                  |        |
| Person in charge: Lan Wanting   | 116,000      | 0.04%               | 146,000                                   | 0.06%               | 285,000                                    | 0.11%               |   |   |        |
| <b>UMC Capital</b>  | 6,741,000    | 2.56%               | 0   | 0                   | 0  | 0                   | None  | None  |        |
| Person in charge: Hong Jiacong  | 0            | 0.00%               | 0   | 0                   | 0  | 0                   | None  | None  |        |
| Ninci Investment Co., Ltd.  | 4,450,000    | 1.69%               | 0   | 0                   | 0  | 0                   | Taiwan Semiconductor Co., Ltd., TSC Auto ID Technology Co., Ltd., Wang Xing Lei, Lan Wanting  | Person in charge, Director, First-degree relative |        |
| Person in charge: Wang Shiu Ting  | 12,383,340   | 4.70%               | 0   | 0                   | 4,450,000                                  | 1.69%               |   |   |        |
| Labor Retirement Fund (New Scheme)  | 3,773,000    | 1.43%               | 0   | 0                   | 0  | 0                   | None  | None  |        |
| JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 3,384,290    | 1.28%               | 0   | 0                   | 0  | 0                   | None  | None  |        |
| Labor Retirement Fund (Old Scheme)  | 3,316,000    | 1.26%               | 0   | 0                   | 0  | 0                   | None  | None  |        |

Note: The calculation of shareholding ratio refers to the calculation of the shareholding ratio in your own name, spouse, minor children or use the names of others to calculate the shareholding ratio.

### 10. Shares Held by the Company, Directors, Managers and Companies Directly or Indirectly Controlled by the Company, and the Comprehensive Shareholding Ratio Based on Combined Calculation

#### Comprehensive shareholding ratio

Unit : Share(s) ; %; March 31, 2023

| Investment business<br>(Note 1)              | Investment by the<br>company |                   | Directors, supervisors,<br>managers and direct or<br>indirect control of<br>investment in the<br>business |                   | Comprehensive<br>investment |                   |
|--|------------------------------|-------------------|---|-------------------|-----------------------------|-------------------|
|  | Shares                       | Shareholding<br>% | Shares  | Shareholding<br>% | Shares                      | Sharehold<br>ng % |
| EVER ENERGETIC<br>INT'L LTD.                 | 21,175,000                   | 100.00            | 0   | 0                 | 21,175,000                  | 100.00            |
| EVER WINNER INT'L<br>CO.,LTD.                | 16,010,000                   | 100.00            | 0   | 0                 | 16,010,000                  | 100.00            |
| SKYRISE INT'L LTD.                           | 50,000                       | 100.00            | 0   | 0                 | 50,000                      | 100.00            |
| TAIWAN<br>SEMICONDUCTOR<br>EUROPE GMBH       | 0                            | 100.00            | 0   | 0                 | 0                           | 100.00            |
| TAIWAN<br>SEMICONDUCTOR<br>JAPAN LTD.        | 1,500                        | 100.00            | 0   | 0                 | 1,500                       | 100.00            |
| TAIWAN<br>SEMICONDUCTOR (H.K)<br>CO.,LTD.    | 672,000                      | 25.22             | 1,992,238   | 74.78             | 2,664,238                   | 100.00            |
| TSC Auto ID Technology Co.,<br>Ltd.          | 15,453,177                   | 36.34             | 2,692,888   | 6.33              | 18,146,065                  | 42.67             |
| TSC AMERICA,INC.                             | 0                            | 0                 | 9,000,000   | 100.00            | 9,000,000                   | 100.00            |
| Shanghai Great<br>International Trade Co.    | 0                            | 0                 | 0   | 100.00            | 0                           | 100.00            |
| Yangxin Everwell<br>Electronics Co.          | 0                            | 0                 | 0   | 100.00            | 0                           | 100.00            |
| Tianjin Everwell<br>Technology Co.           | 0                            | 0                 | 0   | 100.00            | 0                           | 100.00            |
| TSC Auto ID Technology<br>EMEA GmbH(TSCAE)   | 0                            | 0                 | 0   | 100.00            | 0                           | 100.00            |
| TSC Auto ID (H.K) Ltd.                       | 0                            | 0                 | 11,710,500  | 100.00            | 11,710,500                  | 100.00            |
| TSC Auto ID Technology<br>America, Inc.      | 0                            | 0                 | 16,000,000  | 100.00            | 16,000,000                  | 100.00            |
| Tianjin Guoju Technology<br>Co., Ltd.        | 0                            | 0                 | 0   | 100.00            | 0                           | 100.00            |
| TSC Auto ID Technology ME<br>Ltd.FZE(TSCAD)  | 0                            | 0                 | 0   | 100.00            | 0                           | 100.00            |
| TSC Auto ID Technology<br>Spain, S.L.(TSCAS) | 0                            | 0                 | 0   | 100.00            | 0                           | 100.00            |
| Dingguan Technology Co.                      | 0                            | 0                 | 500,000   | 100.00            | 500,000                     | 100.00            |
| Shenzhen Dingguan<br>Technology Co.          | 0                            | 0                 | 0   | 100.00            | 0                           | 100.00            |

| Investment business<br>(Note 1)                            | Investment by the<br>company |                   | Directors, supervisors,<br>managers and direct or<br>indirect control of<br>investment in the<br>business |                   | Comprehensive<br>investment |                    |
|--|------------------------------|-------------------|---|-------------------|-----------------------------|--------------------|
|  | Shares                       | Shareholding<br>% | Shares  | Shareholding<br>% | Shares                      | Sharehold<br>ing % |
| Printronic Auto ID Technology<br>Inc.                      | 0                            | 0                 | 100   | 100.00            | 100                         | 100.00             |
| Diversified Labeling<br>Solutions Inc.                     | 0                            | 0                 | 1,000   | 100.00            | 1,000                       | 100.00             |
| Precision Press & Label,<br>Inc.                           | 0                            | 0                 | 850,000   | 100.00            | 850,000                     | 100.00             |
| TSC Auto ID Technology<br>India Private Ltd.               | 0                            | 0                 | 710,000   | 100.00            | 710,000                     | 100.00             |
| APPLIED WIRELESS<br>IDENTIFICATIONS<br>GROUP, INC. (Note2) | 242,920                      | 0                 | 0   | 0                 | 242,920                     | 0                  |
| Third Dimension (3D)<br>Semiconductor, Inc. (Note2)        | 921,518                      | 0                 | 0   | 0                 | 921,518                     | 0                  |
| Mosfortico Investments<br>sp. z o.o.                       | 0                            | 0                 | 100   | 100.00            | 100                         | 100.00             |

Note 1: It is the company's long-term equity investment using the equity method and financial assets measured at fair value through profit and loss-liquidity.

Note 2: Since the ratio is very slightly lower than 0%, it is marked as 0%.

## 4、Fundraising Situation

### 1、Capital and Shares

#### (1)Equity Source

Unit : NT\$'000 ; thousand shares

| Year<br>month | Issue Price<br>(Par value<br>per share;<br>dollar) | Approved Share Capital |           | Actual Capital |           | Remark   |  |   |
|---------------|--|------------------------|-----------|----------------|-----------|--|--|---|
|               |  | Shares                 | Amount    | Shares         | Amount    | Source of Equity   | Those using<br>property<br>than cash to<br>offset the<br>share price | Other   |
| 1979<br>.01   | 10   | 100                    | 1,000     | 100            | 1,000     | Cash creation  | —  | —   |
| 1980<br>.05   | 10   | 1,200                  | 12,000    | 1,200          | 12,000    | Cash capital increase 11,000   | —  | —   |
| 1984<br>.06   | 10   | 3,000                  | 30,000    | 3,000          | 30,000    | Cash capital increase 18,000   | —  | —   |
| 1987<br>.12   | 10   | 6,000                  | 60,000    | 6,000          | 60,000    | Cash capital increase 30,000   | —  | —   |
| 1989<br>.11   | 10   | 10,500                 | 105,000   | 10,500         | 105,000   | Cash capital increase 45,000   | —  | —   |
| 1990<br>.09   | 10   | 15,400                 | 154,000   | 15,400         | 154,000   | Cash capital increase 35,035   | —  | —   |
| 1991<br>.08   | 10   | 17,710                 | 177,100   | 17,710         | 177,100   | Capital increase from surplus 13,965   | —  | —   |
| 1992<br>.10   | 10   | 19,481                 | 194,810   | 19,481         | 194,810   | Capital increase from surplus 3,080<br>Capital reserve from capital increase<br>20,020 | —  | —   |
| 1995<br>.06   | 10   | 35,000                 | 243,582   | 24,358         | 243,582   | Capital reserve transferred to capital<br>increase 17,710                              | —  | 1995.06.07 (84) Taiwan<br>Financial Certificate (1)<br>No. 33605  |
| 1996<br>.07   | 10   | 43,000                 | 372,330   | 37,233         | 372,330   | Capital increase from surplus 42,928<br>Capital increase from surplus 5,844            | —  | 1996.06.29 (85) Taiwan<br>Financial Certificate (1)<br>No. 4069   |
| 1997<br>.09   | 10   | 75,000                 | 560,000   | 56,000         | 560,000   | Capital increase from surplus 128,748  | —  | 1997.07.07 (86) Taiwan<br>Financial Certificate (1)<br>No. 53271  |
| 1998<br>.10   | 10   | 75,000                 | 680,984   | 68,098         | 680,984   | Capital increase from surplus 116,862  | —  | 1998.08.31 (87) Taiwan<br>Finance Certificate (1)<br>No. 73846  |
| 1998<br>.12   | 10   | 107,000                | 830,984   | 83,098         | 830,984   | Cash capital increase 70,808   | —  | 1998.10.22 (87) Taiwan<br>Finance Certificate No.<br>89325 and 1998.11.10<br>(87)   |
| 1999<br>.11   | 10   | 107,000                | 1,002,245 | 100,224        | 1,002,245 | Capital increase from surplus 120,984  | —  | 1998.11.10 (87) Taiwan<br>Finance Certificate (1)<br>No. 94752<br>And 1999.08.18 (88)<br>Taiwan Financial<br>Certificate (1) No.<br>75688 |
| 2000<br>.08   | 10   | 181,000                | 1,157,197 | 115,720        | 1,157,197 | Cash capital increase 150,000  | —  | 2000.06.05 (89) Taiwan<br>Financial Certificate (1)<br>No. 48503  |
| 2001<br>.08   | 10   | 181,000                | 1,280,644 | 128,064        | 1,280,644 | Earnings transferred to capital increase<br>171,261                                    | —  | 2001.06.27 (90) Taiwan<br>Financial Certificate (1)<br>No. 140899   |
| 2002<br>.01   | 10   | 181,000                | 1,416,036 | 141,604        | 1,416,036 | Capital increase from surplus 76,139   | —  | 2001.06.28 (90) Taiwan<br>Financial Certificate (1)<br>No. 138455   |
| 2002<br>.03   | 10   | 181,000                | 1,547,505 | 154,750        | 1,547,505 | Capital reserve transferred to capital<br>increase 78,813                              | —  | 2001.06.28 (90) Taiwan<br>Financial Certificate (1)<br>No. 138455   |
| 2002<br>.10   | 10   | 281,000                | 2,810,000 | 176,917        | 1,769,167 | Capital increase from surplus 130,563  | —  | 2003.10.28 (92) Taiwan<br>Financial Certificate (1)<br>No. 09201300170  |
| 2002<br>.11   | 10   | 281,000                | 2,810,000 | 176,927        | 1,769,267 | Conversion of corporate bonds 91,099   | —  | 2001.06.28 (90) Taiwan<br>Financial Certificate (1)<br>No. 138455   |
| 2003<br>.09   | 10   | 310,000                | 3,100,000 | 187,406        | 1,874,060 | Conversion of corporate bonds 100  | —  | 2001.06.28 (90) Taiwan<br>Financial Certificate (1)<br>No. 138455   |
| 2003<br>.10   | 10   | 310,000                | 3,100,000 | 188,116        | 1,881,160 | Capital increase from surplus 75,293   | —  | 2003 .10.28 (92)<br>Taiwan Financial<br>Certificate (1) No.<br>09201300170  |
| 1994<br>.10   | 10   | 310,000                | 3,100,000 | 196,046        | 1,960,458 | Capital increase from surplus 79,298   | —  | The Jin Guanzheng Yizi<br>No. 0930134420 letter<br>dated August 2, 1994 is<br>quasi-documented.   |
| 1995<br>.04   | 10   | 310,000                | 3,100,000 | 187,776        | 1,877,758 | Capital reduction of treasury shares<br>82,700   | —  | Jin Guanzheng Sanzi<br>No. 0940103432 letter<br>dated February 2, 19954<br>was approved for filing.                                       |
| 1996<br>.05   | 10   | 310,000                | 3,100,000 | 187,891        | 1,878,913 | Conversion of employee stock options<br>to ordinary shares 1,155                       | —  | On May 2, 1996, it was<br>approved to be filed by<br>the letter of Shuishangzi<br>No. 09501079850.  |
| 1996<br>.07   | 10   | 310,000                | 3,100,000 | 187,924        | 1,879,243 | Conversion of employee stock options<br>to ordinary shares 330                         | —  | On July 19, 1996, it was<br>approved and filed by<br>Shuishangzi No.<br>09501154820.  |

| Year month  | Issue Price (Par value per share; dollar) | Approved Share Capital |           | Actual Capital |           | Remark   |  |   |
|-------------|---|------------------------|-----------|----------------|-----------|--|--|---|
|             |   | Shares                 | Amount    | Shares         | Amount    | Source of Equity   | Those using property than cash to offset the share price | Other   |
| 1996<br>.10 | 10  | 310,000                | 3,100,000 | 187,974        | 1,879,738 | Conversion of employee stock options to ordinary shares 495  | —  | On October 19, 1996, it was approved to be filed by the letter of Shuishangzi No. 09501237190.  |
| 1997<br>.01 | 10  | 310,000                | 3,100,000 | 193,731        | 1,937,310 | Conversion of employee stock options to ordinary shares 1,287                                      | —  | On January 19, 1997, it was approved and filed by the letter of Shuishangzi No. 09601014020 letter.   |
| 1997<br>.04 | 10  | 310,000                | 3,100,000 | 225,329        | 2,253,293 | Conversion of corporate bonds 56,284   | —  | On April 19, 1997, it was approved to be filed by the letter of Shuishangzi No. 09601079990 letter.   |
| 1997<br>.07 | 10  | 360,000                | 3,600,000 | 231,516        | 2,315,162 | Conversion of employee stock options to ordinary shares 3,660                                      | —  | On July 19, 1997, it was approved and filed by the letter of Shushang Zi No. 09601166490.   |
| 1997<br>.10 | 10  | 360,000                | 3,600,000 | 233,665        | 2,336,653 | Conversion of corporate bonds 312,323  | —  | On October 17, 1997, it was approved and filed by Shuishangzi No. 09601254310.  |
| 1997<br>.12 | 10  | 360,000                | 3,600,000 | 246,865        | 2,468,653 | Conversion of employee stock options to ordinary shares 500  | —  | On December 20, 1997, it was approved and filed by the letter of Shushang Zi No. 09601311990.   |
| 1998<br>.01 | 10  | 360,000                | 3,600,000 | 247,306        | 2,473,059 | Conversion of corporate bonds 61,369   | —  | On January 17, 1998, it was approved to be filed by the letter of Shuishangzi No. 0970111410.   |
| 1998<br>.04 | 10  | 360,000                | 3,600,000 | 247,374        | 2,473,739 | Conversion of employee stock options to ordinary shares 11,743                                     | —  | On April 15, 1998, it was approved and filed by the letter of Shushang Zi No. 09701089680.  |
| 1998<br>.07 | 10  | 360,000                | 3,600,000 | 248,158        | 2,481,579 | Conversion of corporate bonds 9,748  | —  | On July 25, 1998, it was approved and filed by the letter of Shushang Zi No. 09701174110.   |
| 1998<br>.10 | 10  | 360,000                | 3,600,000 | 248,192        | 2,481,919 | Conversion of employee stock options to ordinary shares 340  | —  | Conversion of employee stock options to ordinary shares 340   |
| 1999<br>.03 | 10  | 360,000                | 3,600,000 | 243,967        | 2,439,669 | Conversion of corporate bonds 0  | —  | Conversion of corporate bonds 0   |
| 2000<br>.01 | 10  | 360,000                | 3,600,000 | 243,997        | 2,439,968 | Capital reduction in treasury shares 42,250  | —  | Capital reduction in treasury shares 42,250   |
| 2013<br>.11 | 10  | 360,000                | 3,600,000 | 244,257        | 2,442,568 | Conversion of corporate bonds 299  | —  | Conversion of corporate bonds 299   |
| 2014<br>.01 | 10  | 360,000                | 3,600,000 | 243,282        | 2,432,818 | Conversion of employee stock options to ordinary shares 2,600                                      | —  | Conversion of employee stock options to ordinary shares 2,600   |
| 2014<br>.04 | 10  | 360,000                | 3,600,000 | 243,322        | 2,433,218 | Conversion of employee stock options to ordinary shares 250  | —  | Conversion of employee stock options to ordinary shares 250   |
| 2014<br>.05 | 10  | 360,000                | 3,600,000 | 243,464        | 2,434,643 | Treasury shares reduced by 10,000  | —  | Treasury shares reduced by 10,000   |
| 2014<br>.11 | 10  | 360,000                | 3,600,000 | 243,614        | 2,436,143 | Conversion of employee stock options to ordinary shares 400  | —  | Conversion of employee stock options to ordinary shares 400   |
| 2015<br>.04 | 10  | 360,000                | 3,600,000 | 238,764        | 2,387,643 | Conversion of employee stock options to ordinary shares 1,500<br>Treasury shares reduced by 50,000 | —  | On January 14, 2015, Jin Guanzheng Jiao Zi No. 1040000706 was approved for filing and on April 15, 104, it was approved to be filed by Shuishangzi No. 10401064520. |
| 2015<br>.05 | 10  | 360,000                | 3,600,000 | 238,811        | 2,388,108 | Conversion of employee stock options to ordinary shares 465  | —  | On May 27, 2015, it was approved to be filed by the letter of Shuishangzi No. 104020208700.   |
| 2015<br>.12 | 10  | 360,000                | 3,600,000 | 239,637        | 2,396,368 | Conversion of employee stock options to ordinary shares 8,260                                      | —  | On December 08, 2015, it was approved to be filed by the letter of Shuishangzi No. 10401245970.   |
| 2016<br>.01 | 10  | 360,000                | 3,600,000 | 240,014        | 2,400,143 | Conversion of employee stock options to ordinary shares 3,775                                      | —  | On January 12, 2015, it was approved to be filed by the letter of Shuishangzi No. 10501004470.  |
| 2016<br>.04 | 10  | 360,000                | 3,600,000 | 240,303        | 2,403,026 | Conversion of employee stock options to ordinary shares 2,882.5                                    | —  | On April 15, 2015, it was approved and filed by the letter of Shuishangzi No. 10501071370.  |

| Year month | Issue Price (Par value per share; dollar) | Approved Share Capital |           | Actual Capital |           | Remark  |  |  |
|------------|---|------------------------|-----------|----------------|-----------|---|--|--|
|            |   | Shares                 | Amount    | Shares         | Amount    | Source of Equity  | Those using property than cash to offset the share price | Other  |
| 2016.11    | 10  | 360,000                | 3,600,000 | 240,506        | 2,405,058 | Conversion of employee stock options to ordinary shares 2,032.5 |  | On November 23, 2016, it was approved to be filed by the letter of Shuishangzi No. 10501273280.  |
| 2017.04    | 10  | 360,000                | 3,600,000 | 240,806        | 2,408,058 | Conversion of employee stock options to ordinary shares 3,000   |  | On April 10, 2017, it was approved to be filed by the letter of Shuishangzi No. 10601045060.     |
| 2017.05    | 10  | 360,000                | 3,600,000 | 240,949        | 2,409,493 | Conversion of employee stock options to ordinary shares 1,435   |  | On May 26, 2017, it was approved to be filed by the letter of Shuishangzi No. 10601067460.       |
| 2017.11    | 10  | 360,000                | 3,600,000 | 241,144        | 2,411,443 | Conversion of employee stock options to ordinary shares 1,950   |  | On November 23, 2017, it was approved by the Shuishangzi No. 10601161130 letter.                 |
| 2018.04    | 10  | 360,000                | 3,600,000 | 241,175        | 2,411,753 | Conversion of employee stock options to ordinary shares 310     |  | On April 10, 2018, it was approved to be filed by the letter of Shuishangzi No. 10701037290.     |
| 2018.08    | 10  | 360,000                | 3,600,000 | 242,713        | 2,427,129 | Conversion of corporate bonds 15,376.38                         |  | On August 27, 2018, it was approved to be filed by the letter of Shuishangzi No. 107012020190.   |
| 2019.12    | 10  | 360,000                | 3,600,000 | 249,454        | 2,494,539 | Private placement cash capital increase 67,410                  | -  | On December 10, 2019, it was approved to be filed by Shuishangzi No. 10801173380.                |
| 2021.04    | 10  | 360,000                | 3,600,000 | 265,085        | 2,650,855 | Conversion of corporate bonds 15,631.521                        |  | On April 12, 2021, it was approved to be filed with the letter of Shuishangzi No. 11001063580.   |
| 2022.01    | 10  | 360,000                | 3,600,000 | 263,485        | 2,634,855 | Capital reduction in treasury shares 16,000                     |  | On January 26, 2022, it was approved to be filed with the letter of Shuishangzi No. 11101012090. |

April 21, 2023/ Unit: Shares

| Shares Type    | Approved Capital                       |                 |             | Remark  |
|----------------|--|-----------------|-------------|---|
|                | Outstanding shares (listed on the OTC) | Unissued shares | Total       |   |
| Ordinary Share | 263,485,486                            | 96,514,514      | 360,000,000 | Including the amount of employee stock option certificates 10,000 thousand shares |

Information about the blanket declaration system: Not applicable

(2) Status of Shareholders

April 21, 2023

| Shares Amount         | Government agency | Financial institution | Other legal persons | Foreign institutions and foreigners | Individual  | Treasury stock | Total       |
|-----------------------|-------------------|-----------------------|---------------------|-------------------------------------|-------------|----------------|-------------|
| Number of Shares      | 0                 | 21                    | 413                 | 177                                 | 48,944      | 0              | 49,555      |
| Number of shares held | 0                 | 18,189,876            | 91,912,378          | 36,519,956                          | 116,863,276 | 0              | 263,485,486 |
| Shareholding ratio    | 0.00%             | 6.90%                 | 34.88%              | 13.86%                              | 44.36%      | 0.00%          | 100.00%     |

### (3) Shareholding Distribution Status

NTD 10 Per Share

April 21, 2023

| Shareholding Tiers | No., of Shareholders | Shareholding | Shareholding % |
|--------------------|----------------------|--------------|----------------|
| 1-999              | 25,210               | 1,163,904    | 0.44%          |
| 1,000-5,000        | 21,382               | 37,233,808   | 14.14%         |
| 5,001-10,000       | 1,568                | 12,569,482   | 4.77%          |
| 10,001-15,000      | 410                  | 5,334,433    | 2.02%          |
| 15,001-20,000      | 258                  | 4,855,437    | 1.84%          |
| 20,001-30,000      | 194                  | 5,038,099    | 1.91%          |
| 30,001-40,000      | 101                  | 3,686,213    | 1.40%          |
| 40,001-50,000      | 73                   | 3,405,408    | 1.29%          |
| 50,001-100,000     | 149                  | 10,997,781   | 4.17%          |
| 100,001-200,000    | 70                   | 9,928,494    | 3.77%          |
| 200,001-400,000    | 60                   | 16,289,554   | 6.18%          |
| 400,001-600,000    | 25                   | 12,510,290   | 4.75%          |
| 600,001-800,000    | 12                   | 8,748,000    | 3.32%          |
| 800,001-1,000,000  | 10                   | 8,780,064    | 3.33%          |
| 1,000,001 股以上      | 33                   | 122,944,519  | 46.67%         |
| Total              | 49,555               | 263,485,486  | 100.00%        |

### (4) Major Shareholders

April 21, 2023

| Major Shareholders names  | Shares | Shareholding | Shareholding % |
|---|--------|--------------|----------------|
| TSC Auto ID Technology Co., Ltd.  |        | 14,800,000   | 5.62%          |
| Fubon Life Insurance Co., Ltd.  |        | 12,618,000   | 4.79%          |
| Wang Shiu Ting  |        | 12,383,340   | 4.70%          |
| Yuanta Taiwan High-yield Leading Company Fund   |        | 11,000,000   | 4.17%          |
| Arthur Investment Co., Ltd.   |        | 10,457,002   | 3.97%          |
| UMC Capital   |        | 6,741,000    | 2.56%          |
| Ninci Investment Co., Ltd.  |        | 4,450,000    | 1.69%          |
| Labor Pension Fund(New Scheme)  |        | 3,773,000    | 1.43%          |
| JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds |        | 3,384,290    | 1.28%          |
| Labor Retirement Fund(Old Scheme)   |        | 3,316,000    | 1.26%          |

(5) The Share's Market Price, Net Worth, Earnings and Dividend Policy for the Past Two Years

Unit : New Taiwan Dollar/Share

| Item                                | Year  |   | 2021          | 2022          | The current year ends on April 21,2023 (consolidated) (Note 8) |
|-------------------------------------|---|---|---------------|---------------|--|
|                                     |   |   |               |               |  |
| Price per stock market (Note 1)     | Highest                                       |   | 105           | 99.8          | 115.50   |
|                                     | Lowest  |   | 38.55         | 60.1          | 74.20  |
|                                     | Average                                       |   | 75.28         | 81.15         | 96.08  |
| Net value per share (Note 2)        | Before distribution                           |   | 28.27         | 32.39         | 33.36  |
|                                     | After distribution                            |   | 25.62(Note 9) | 28.16(Note 9) | -  |
| Earnings per share (Note 3)         | Weighted average number of shares             |   | 248,585,039   | 248,876,695   | 248,685,486  |
|                                     | Earnings per share (NTD\$) (after adjustment) |   |               |               | -  |
|                                     | Earnings per share (yuan) (before adjustment) |   | 3.55          | 6.28          | 0.93   |
| Dividend per share                  | Cash dividend (Note 9)                        |   | 2.50(Note 9)  | 4.00(Note 9)  | -  |
|                                     | Issuance of bonus shares                      | - | -             | -             | -  |
|                                     |   | - | -             | -             | -  |
|                                     | Accumulated unpaid dividends (Note 4)         |   | -             | -             | -  |
| Analysis of Investment Remuneration | P/E ratio (Note 5)                            |   | 21.21         | 12.92         | -  |
|                                     | P/L ratio (Note 6)                            |   | 30.11         | 20.29         | -  |
|                                     | Cash dividend yield (Note 7)                  |   | 3.32%         | 4.93%         | -  |

\* If surplus or capital reserve is transferred to capital increase and allotment,

It should also disclose the market price and cash dividend information retrospectively adjusted based on the number of shares issued.

Note 1: List the highest and lowest market prices of common stocks in each year,

And calculate the average market price of each year based on the transaction value and volume of each year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at yearend. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

Note 3: If there is a retrospective adjustment due to circumstances such as gratuitous allotment, The earnings per share before and after adjustments should be shown.

Note 4: If the equity securities issuance conditions stipulate the dividends not paid in the current year Those who can accumulate to a surplus year,

The accumulated unpaid dividends as of the current year shall be disclosed separately.

Note 5: P/E ratio = average closing price per share for the year/earnings per share.

Note 6: P/E ratio = average closing price per share for the year/cash dividend per share.

Note 7: Cash dividend yield = cash dividend per share/average closing price per share for the year.

Note 8: Calculated based on the information reviewed by the accountant in the consolidated financial quarter report for the first quarter of 2023.

Note 9: As approved by the board of directors on March 15, 2023, it has yet to be approved by the shareholders meeting.

(6) Company dividend policy and implementation status

(1) Dividend policy

According to Article 2002 of the company's articles of association, the company's dividend policy is in line with the current and future development plans, considering the investment environment, capital needs and domestic and foreign competition conditions,

And take into account the interests of shareholders and other factors,

The distribution of dividends to shareholders shall be prepared by the board of directors on a surplus distribution plan. After the resolution of the shareholders meeting, if the surplus is distributed by the resolution, the proportion of the surplus distributed shall be based on the principle of no less than 10% of the surplus available for distribution in the current year,

Dividends are distributed in cash or stocks, among them, the proportion of cash dividend distribution shall not be less than 10% of the total dividend. Among them, the cash dividend shall not be less than 10% of the total stock dividend, however, if the cash dividend per share is less than \$0.2, it will not be issued and will be paid as a stock dividend.

(2) The situation of the proposed dividend distribution at the shareholders meeting:

(a) Cash dividend: NT\$4.00 per share, totaling NT\$1,053,941,944,

To be approved by the shareholders' meeting.

(b) Stock dividends: 0 yuan per share, totaling NT\$ 0, subject to approval by shareholders at the regular meeting.

(7) The free allotment proposed by the shareholders' meeting will affect the company's business performance,

The impact of earnings per share and shareholder return on investment:

Unit: NT\$'000; Earnings per share NT\$

|   |   | 2023 Year<br>(Expected)                      |                         |
|---|---|--|-------------------------|
| The amount of actual capital at the beginning of the period |   | 2,634,854                                    |                         |
| Distribution of dividends this year                         | Cash dividend per share (Note 1)  | 4.000  |                         |
|   | Earnings transferred to capital increase number of allotment shares per share   | 0.00   |                         |
|   | Number of allotment shares per share transferred from capital surplus to capital increase                                   | 0.00   |                         |
| Changes in business performance                             | Business interest   | Not Applicable (Note 2)                      |                         |
|   | Increase (decrease) ratio of operating profit over the same period last year  | Not Applicable (Note 2)                      |                         |
|   | Net profit after tax  | Not Applicable (Note 2)                      |                         |
|   | Rate of increase (decrease) in net profit after tax compared with the same period last year                                 | Not Applicable (Note 2)                      |                         |
|   | Earnings per share  | Not Applicable (Note 2)                      |                         |
|   | Earnings per share increase (decrease) ratio over the same period last year   | Not Applicable (Note 2)                      |                         |
|   | Annual average return on investment (the reciprocal of the annual average P/E ratio)  | Not Applicable (Note 2)                      |                         |
| Proposed earnings per share and price-to-earnings ratio     | If the surplus is transferred to capital increase in full, cash dividends will be allocated.                                | Proposed earnings per share                  | Not Applicable (Note 2) |
|   |   | Proposed annual average return on investment | Not Applicable (Note 2) |
|   | If the capital reserve has not been transferred to increase capital.  | Proposed earnings per share                  | Not Applicable (Note 2) |
|   |   | Proposed annual average return on investment | Not Applicable (Note 2) |
|   | If the capital reserve is not processed and the surplus is transferred to capital increase, the cash dividend will be paid. | Proposed earnings per share                  | Not Applicable (Note 2) |
|   |   | Proposed annual average return on investment | Not Applicable (Note 2) |

Note 1: It has not been approved by the shareholders meeting.

Note 2: In accordance with the "Regulations Governing the Publication of Financial Forecasts of Public Companies", the Company is not required to disclose financial forecast information for fiscal year 2023, therefore, no estimated information for fiscal year 2023 is available.

(8) Relevant information about employee compensation and director compensation

(1) The percentage and scope of employee remuneration and directors' remuneration stated in the company's articles of association

According to Article 20 of the company's articles of association, if the company makes a profit for the year, at least **4% should be allocated first, but no more than 10%** should be paid for employees. In addition, no more than one percent shall be allocated as directors' remuneration. If the company has accumulated losses in previous years, before there is a profit in the current year that must be paid for employee remuneration and directors' remuneration, the loss shall be made up first, and the balance shall be allocated according to the preceding paragraph;

And when employee compensation is paid in stocks or cash, the distribution objects include employees of controlling or affiliated companies that meet certain conditions. the control or subsidiary company's employees authorize the board of directors under certain conditions. It shall be separately stipulated in accordance with the provisions of the Company Act. The director's remuneration in the preceding paragraph can only be paid in cash.

Employee remuneration and directors' remuneration distribution proposal shall be resolved by the board of directors and reported to the shareholders meeting. According to Article 21 of the Articles of Association of the Company, if there is a surplus in the company's annual final accounts, pay taxes in accordance with the law, and add another 10% to the statutory surplus reserve.

However, when the statutory surplus reserve has reached the company's paid-in capital, it must no longer be listed; after the balance is withdrawn or converted into special surplus reserve according to laws and regulations, in addition to the accumulated undistributed surplus, the board of directors shall draft a surplus distribution proposal, **the shareholders' meeting shall be submitted to a resolution** to distribute dividends to shareholders. in accordance with Article 20\_2 of the company's articles of association, the company's dividend policy, in line with current and future development plans, considering the investment environment,

Capital needs and domestic and foreign competition conditions, and take into account the interests of shareholders and other factors, the distribution of dividends to shareholders shall be prepared by the board of directors on a surplus distribution plan.

After the resolution of the shareholders meeting, if the surplus is distributed by the resolution, the proportion of the surplus distributed shall be based on the

principle of no less than 10% of the surplus available for distribution in the current year, dividends are distributed in cash or stocks, Among them, the proportion of cash dividend distribution shall not be less than 10% of the total dividend.

Among them, the cash dividend shall not be less than 10% of the total stock dividend, however, if the cash dividend per share is less than \$0.2, it will not be issued and will be paid as a stock dividend.

(2) The basis for the estimation of the amount of compensation for employees and directors in the current period, if the calculation basis of the number of shares for employee compensation distributed by stocks and the actual distribution amount are the same accounting treatment when there is a discrepancy in the estimated number:

According to Article 20 of the Articles of Association of the Company, 1% of directors' remuneration will be allocated in 2022. **NT\$ 19,886,508** and 7% of employee compensation are NT\$ 139,205,558, it is planned to be distributed in cash. There is no basis for calculating the number of shares of employee compensation distributed by stocks and the actual distribution amount is different from the estimated number.

(3) The board of directors approves the distribution of the proposed employee compensation information for 2022

(a) Allotment of cash dividends, stock dividends and directors' remuneration

a. Cash dividend: NTD\$4.00 per share, totaling NT\$1,053,941,944,

To be approved by the shareholders' meeting.

b. Stock dividends: 0 yuan per share, totaling NT\$ 0, subject to approval by shareholders at the regular meeting.

c. Director's remuneration amount: NT\$ 19,886,508.

(b) The number of shares proposed to be allotted for employee stock compensation and its proportion to the total after-tax net profit of individual financial reports and total employee compensation for the current period:

a. Cash compensation for employees: NT\$139,205,558

b. Employee stock compensation: NT\$ 0, accounting for the net profit after tax of the individual financial report for the current period and

The proportion of total employee compensation is 0%.

(4) The actual distribution of the previous year's surplus for the distribution of employee compensation and directors' compensation

The company submitted a resolution to the shareholders meeting on June 21, 2022, 1% of the director's remuneration of NT\$ 10,816,125 and 6% of the employee's remuneration of NT\$ 64,896,750 are allocated, all of which will be

paid in cash. The distribution of employee remuneration and directors' remuneration is as follows:

Unit: NT\$'000

|  | Year 2021   |  |                                |                                |
|--|---|--|--------------------------------|--------------------------------|
|  | The actual number of allotments made by the shareholders meeting (Note 1) | The original board of directors approved the proposed allotment (Note 1) | Number of differences (Note 1) | Reason for difference (Note 1) |
| 1. Distribution situation  |   |  |                                |                                |
| 1. Cash compensation for employees   | 64,897  | 64,897   | 0                              | -                              |
| 2. Employee stock compensation   | 0   | 0  |                                |                                |
| (1) Number of shares   | 0   | 0  | 0                              | -                              |
| (2) Amount   | 0   | 0  | 0                              | -                              |
| (3) As a percentage of the number of shares outstanding at the end of the year | 0   | 0  | 0                              | -                              |
| 3. Directors' remuneration   | 10,816  | 10,816   | 0                              | -                              |
| 2. Information about earnings per share  |   |  |                                |                                |
| 1. Original earnings per share (before retrospective adjustment in 2021)       | 3.55  | 3.55   | 0                              | -                              |
| 2. Suppose EPS (Note 2)  | 3.55  | 3.55   | -                              | -                              |

The company's allotment situation in the Republic of China in 2021 and

There is no difference in the estimated number of financial statements of the Company for the year of 2021.

Note 1: There is no difference between the actual allotment amount approved by the shareholders meeting and the proposed allotment amount approved by the original board of directors.

Note 2: Suppose  $EPS = (\text{net profit after tax}) / \text{weighted average number of shares outstanding in the current year}$

Set 2021EPS = net profit after tax NT\$882,804,895 / weighted average number of shares 248,585,039 shares = NT\$3.55.

- (9) Circumstances in which the company buys back the company's shares: 2022 and as of the publication date of the annual report, the company did not buy back the company's shares, in addition, the situation regarding the seventh purchase of the company's shares is as follows:

| Item  | Buy it back for the seventh time<br>(First time in 2018)   |
|---|--|
| 1. Basis method   | According to the fourth meeting of the fourteenth board of directors of the company on November 8, 2018  |
| 2. Purpose of buying back   | Resolution to buy back shares and transfer shares to employees   |
| 3. The range price originally scheduled to be bought back at the time | NTD45 to74   |
| 4. The actual buyback period  | November 16, 2018 to January 8, 2019   |
| 5. The quantity originally scheduled to be bought back at the time    | 2,000,000 shares   |
| 6. The actual quantity bought back at the time                        | 1,600,000 shares   |
| 7. The total amount bought back at the time                           | NT\$ 85,481,307  |
| 8. The current average buyback price per share                        | NT\$ 53.43   |
| 9. Accumulated holdings of the company's shares at that time          | 1,600,000 shares   |
| 10. At the time, the shares of the company already held accounted for | 0.66%  |
| Proportion of total issued shares                                     | To take into account the market transaction mechanism and safeguard the rights and interests of all shareholders, and consider the effective use of the company's overall funds, therefore, only 1,600,000 shares of treasury shares were bought back this time, and the remaining 400,000 shares could not be executed. The implementation rate is 80%.   |
| 11. The reason why the execution was not completed at the time        | Common stock   |
| 12. Types of shares bought back                                       | The resolutions of the sixth meeting of the 14th session of the Japanese company's board of directors by setting the company's seventh buyback (the first time in 2018) The transfer price of the repurchased shares and the employee stock subscription base date. Subsequent to the transfer of employees in accordance with the rules for the transfer of employees as stipulated in Article 5 of the Measures for the Repurchase of Shares and Transfer of Employees Regulations apply.<br>As at January 8, 2022, the Company's capital reduction for the cancelation of 1,600,000 treasury shares and the settlement of |

|  |  |
|--|--|
|  | January 10, 2022 on the basis date of the capital reduction of the deposit shares. |
|--|--|

## 2. Corporate debt handling situation

1. In October 1993, the company's first domestic unsecured conversion of corporate bonds in the 1990s was fully in accordance with the prevailing price and the provisions of the conversion method.

Apply for conversion to 39,466,069 ordinary shares, and complete the change registration of capital increase.

2. The company's second domestic guaranteed conversion of corporate bonds in 1996 In January 1998, it was fully in accordance with the current price and the regulations of the conversion method.

Apply for conversion to 16,498,313 ordinary shares, and complete the change registration of capital increase.

3. The company's third domestic unsecured conversion of corporate debt in 1996 In January 1998, it was fully in accordance with the current price and the regulation of the conversion method.

Applied for conversion into 27,552,747 ordinary shares, and completed the change registration of capital increase.

4. The company expands the plant and purchases machinery and equipment, Required to repay bank loans and enrich working capital, raised and issued NT\$200 million and fifty million in the fourth unsecured conversion of corporate bonds, letter of No. 09600573511 of Jin Guan Zheng Yi Zi dated October 25, 1997 from the Economic and Financial Management Committee The declaration became effective, and the fourth unsecured conversion of corporate bonds in China (Taiwan Ban 4) the listing was terminated on September 3, 2001, and all payments were completed on September 15, 2001.

5. The company's capital needs for the purchase of machinery and equipment and the addition of related factory facilities, raised and issued the fifth unsecured conversion of corporate bonds with a total denomination of NT\$100 million, each denomination of NT\$100,000, the issuance period is three years, and the total number of issued is 10,000. Issued at 100-100.2% of the par value. The Financial Regulatory Commission's Letter No. 1060051478 dated January 17, 2018. The declaration became effective, and the fifth unsecured conversion of corporate bonds in China (Taiwan Half Five). OTC trading will be issued on March 2, 2018, as of the printing date of the annual report, the company issued the fifth domestic unsecured conversion of corporate bonds expires on March 2, 2021 and will be closed on March 3, 2021.

3. The handling of special shares: None.

4. Status of overseas depository receipts: None.

5. Handling situation of employee stock options: None.

6. Restricting employee rights, new shares and mergers and acquisitions (including mergers,

Acquisition and division) or transfer of shares of other companies to issue new shares:  
No such situation.

7. Implementation of the fund utilization plan: As of the quarter before the publication date of the annual report,  
The fund utilization plan has been completed.

## 5. Operation Overview

### 1. Business content

The main business items of the company and its subsidiaries are the manufacture of rectifiers and barcode printers and for trading business, the bar code printer department (TSC Auto ID Technology) should disclose matters, TSC Auto ID Technology

(stock code: 3611) has compiled its own annual report, please refer to the company's annual report.

### 1. Business scope

(1) The sales information of relevant operating departments in 2022 is as follows:

Unit : NTD\$'000

| Item                    | Rectifier | Barcode Printer | Total      |
|-------------------------|-----------|-----------------|------------|
| 2022 annual sales value | 7,720,269 | 7,966,865       | 15,687,134 |
| Operating proportion    | 49.21%    | 50.79%          | 100%       |

(2) The company's current main products

#### A. Regarding the rectifier:

- (1) Bridge rectifier
- (2) Fast recovery bridge rectifier
- (3) High efficiency recovery bridge rectifier
- (4) Schottky rectifier
- (5) High-voltage Schottky rectifier
- (6) Low loss Schottky rectifier

- (7) High operating temperature Schottky rectifier
  - (8) Diode rectifier
  - (9) Fast rectifier
  - (10) High efficiency rectifier
  - (11) Ultra-efficient rectifier
  - (12) Ultra-fast recovery high-efficiency rectifier ( $T_{rr} < 15\text{nS}$ )
  - (13) Power TVS transient voltage suppressor
  - (14) Zener diode
  - (15) Automotive power diodes
  - (16) High power surface mount Schottky rectifier
  - (17) High power surface mount diode
  - (18) Trench junction barrier Schottky diode
  - (19) High-power surface-mounted signal protection diodes for vehicles
  - (20) Inverter high voltage 1200V freewheeling diode
- B. Power transistors:
- (1) Power transistor
  - (2) Metal Oxide Field Effect Transistor
  - (3) Super-Junction gold oxide field effect transistor
  - (4) Metal Oxide Field Effect Transistor (for vehicles)
- C. Power management IC:
- (1) Power management analog IC
  - (2) Low dropout regulator
  - (3) Ultra low dropout voltage regulator
  - (4) DC to DC converter
  - (5) LED driver IC
  - (6) Signal amplifier & comparator
  - (7) Automotive LED driver IC
  - (8) Hall sensor IC
  - (9) Magnetic sensor
- D. Small signal products:
- (1) Electrostatic protection components
  - (2) Schottky diode
  - (3) Switch diode
  - (4) Regulator diode
  - (5) Two-way trigger diode
  - (6) Low frequency filter diode
  - (7) Composite transistor
  - (8) Digital Transistor
  - (9) Double carrier transistor
  - (10) Silicon controlled rectifier

(3) New products and services planned to be developed

A. Wafer products:

- (1) Lower loss Schottky wafer grooved Schottky wafer
- (2) Automotive grade high junction temperature 175°C trench Schottky wafer
- (3) Automotive and industrial-grade high-voltage 1200V fast recovery wafers
- (4) Faster wafer recovery ( $T_{rr} < 15\text{nS}$ ) for automotive and industrial applications
- (5) Automotive and industrial and ultra-low loss 600V, 800V, 1200V, 1600V Rectifier wafer
- (6) Low voltage (<10V) Surge protection Device wafer
- (7) High voltage single die (220V-550V) surge suppressor wafer

B. Packaging products: comprehensively improve high-density, ultra-high-speed automated production and improve the flat super-high weldability for vehicles

- (1) The establishment of ThinDPAK SMD fully automated production line
- (2) PDFN56 (U-foot Wettable Flank Lead design)
- (3) SMPC (U-pin Wettable Flank Lead design)

2. Industry overview

(1) Current status and development of the power management supply component industry:

With the outbreak of the new crown pneumonia, remote office/education, The demand for 5G and automotive terminals continues to rise. The supply chain pointed out that at present, almost all end-product customers are very strong in pulling goods. Power metal-oxygen field effect transistors, Schottky diodes, switch two from international IDM manufacturers. The delivery period of products such as pole bodies and bridge rectifiers has been extended, and the quotations are still rising. The market demand for display power semiconductors is still very strong. In the field of automotive electronics, power chips are mainly used in start-up and power generation, Core components such as security. In addition, Electric vehicles (EV) use more semiconductors than traditional cars. Most of them are power semiconductors and sensors.

As new energy vehicles generally use high-voltage circuits and high-energy-density batteries, when the battery outputs high voltage, voltage conversion is required; the voltage conversion circuit converts and reduces the voltage provided by the battery, to power various devices. In addition, the main inverter is used to drive the motor, and manage the energy generated by the regenerative braking system to charge the battery, The auxiliary inverter is used to control the compressor, water pump, Fans and other auxiliary systems, these pairs IGBT (insulated gate bipolar transistor), DC-DC converter, low-loss MOS (field effect transistor), low-loss

regulator, TVS, the demand for electrostatic protection, fast recovery diodes, transistors and other devices has also increased significantly. At the same time, Taiwan and a half are also actively deepening the new applications of automotive electronics and the design introduction of ADAS;

At present, there are only a few new products exclusive to foreign competitors, small-package high-current rectifiers, low voltage and high load dump (Load-Dump) TVS and MOSFET, Taiwan Semiconductor is fully developing and introducing. In addition, automotive lighting is also adjusted due to regulations, daylighting must be installed; our company focuses on a complete line of automotive products, at the same time, it is also actively investing in newly developed automotive LED driver ICs, low-dropout and low-power-consumption voltage regulator ICs for vehicles, and have been mass-produced. Under the demand of ECO-Friendly, end products are pursuing high efficiency and low loss. New product development low-impedance MOS, low-loss voltage regulator, low-loss bridge, Ultra-low capacitance electrostatic protection components and high-power trench Schottky products, etc. Both have strong shipment growth. Motor control and renewable energy for industrial applications, the inverter is controlled by power electronic PWM full bridge and half bridge, for Super Junction MOSFET, the demand for rapid recovery of freewheeling diodes And 200V grooved Schottky has grown steadily, new product development Is aimed at high frequency and high voltage applications.

(2) The relevance of the upstream, middle and downstream industries:

Taiwan's power management supply component industry can be divided into upstream raw material suppliers, midstream rectifier diode manufacturer and downstream application industry. At present, major domestic manufacturers in

the upstream such as Sino-US Silicon Crystal, Hanlei, Jiajing, etc., supply wafer materials and diffusion materials. Downstream manufacturers have a wide range, including industrial control, automotive, information, communications, medical, national defense, etc., It is closely related to the world economy. In addition, Taiwan Semiconductor previously joined forces with UMC to enter the separate gate medium voltage MOSFET products, the fastest possible opportunity to substantially increase production capacity in the second half of this year. At the appropriate time, the two sides will be expected to join hands to enter the Tier 1 automotive supply chain market. It is also expected to simultaneously enter the field of industrial control products, bringing new operational growth momentum to Taiwan.

(3) Development trend of products:

The industry is based on the needs of downstream manufacturers, Downstream manufacturers are mainly used for information products, communication products and digital home appliances. High-tech products, such as automotive electronics, pursue lightness, thinness, and shortness in

size, and pursue higher power, more power saving, and durability in terms of performance. At present, major international manufacturers are already developing a new generation of products: Silicon Carbide (Silicon Carbide, SiC) and Gallium Nitride (Gallium Nitride, GaN) high-power rectifier diodes and MOSFETs.

(4) Competition situation:

At present, there are few manufacturers of high-end or automotive-grade power management supply components in Taiwan or mainland China, and the competition is mainly from the first-tier international manufacturers.

However, the main product development direction of these major manufacturers has shifted to highly integrated IC products or combined with software solutions. The pursuit of higher quality and flexible and fast service in Taiwan have quickly captured the trust of international automobile manufacturers. At present, in response to the shortage of wafer raw materials, there is close strategic cooperation with major chip suppliers and foundries to obtain more abundant supply to achieve rapid growth goals.

### 3. Overview of technology and R&D

(1) This year and as of the publication date of the annual report  
(Based on the information reviewed by the accountant in the consolidated financial report for the first quarter of 2023)

Unit : NTD\$'000

| Item/year                      | 2022 (consolidated) | Until March 31, 2023<br>(consolidated) |
|--------------------------------|---------------------|--|
| Research and development costs | 355,388             | 91,192                                 |
| Net operating income           | 15,687,134          | 3,625,363                              |
| Percentage of net revenue      | 2%                  | 2.52%                                  |

## (2) Successfully developed technology or product

| Product | Successfully developed technology or product   |
|---------|--|
|         | <ol style="list-style-type: none"> <li>1. Developed general purpose diodes.</li> <li>2. The development is completed to quickly restore the diode.</li> <li>3. The bridge rectifier was developed and completed.</li> <li>4. Develop high-efficiency recovery diodes and ultra-fast recovery diodes.</li> <li>5. Developed Schottky diodes.</li> <li>6. The high-voltage rectifier has been developed.</li> <li>7. Developed and completed the glass-coated rectifier.</li> <li>8. Developed a surge suppressor.</li> <li>9. Development and completion of automotive rectifiers.</li> <li>10. The development of the surface mount components (SMB) is completed.</li> <li>11. Developed surface adhesive components SMA/SMC and TO-220/TO-3P.</li> <li>12. Developed the super rectifier GP-10/RGP-10.</li> <li>13. Developed SIP Bridge TS6P (bridge rectifier).</li> <li>14. Developed and completed the insulated high-power rectifier (ITO-220).</li> <li>15. Developed all series of surge suppressors (T.V.S) and High-power rectifier (D2PAK) is adhered to the surface.</li> <li>16. Development and completion of surface-adhesive mid-power Schottky products (DPAK),<br/>Ultra-small surface bonding bridge rectifier (MINI-BRIDGES),<br/>SIPGBU-BRIDGES, low capacitance anti-surge absorber (LOW CAPACITANCE TVS) and 100V Schottky diodes.</li> <li>17. The 5-inch Schottky wafer has been developed and mass-produced.</li> <li>18. Development is completed 1-2 WATT SMA Zener (ZENER) stabilized diode.</li> <li>19. Developed the Schottky diode BR6060PT with high current (60 ampere).</li> <li>20. Developed LOW VF/High voltage 5" Schottky chip development.</li> <li>21. Developed and completed the mass production of DPAK wire bond line.</li> <li>22. The development of MBR series Schottky wafers was completed.</li> <li>23. The 100V high voltage Schottky wafer was developed.</li> <li>24. Complete development of NIEC packaging foundry</li> <li>25. Development and mass production of 3KW/5KW TVS completed.</li> <li>26. Development and mass production of 4"STD GPP chip is completed.</li> <li>27. Development completed STD GPP / SF (EPI) 200V 3A<br/>The product is mass-produced with reduced crystal grains.</li> <li>28. Development completed Sub/Folded SMA automatic line establishment.</li> <li>29. Developed 150V high voltage Schottky wafers.</li> <li>30. Developed high-current Schottky wafers.</li> <li>31. Developed and completed Schottky's reduced crystal grain mass production.</li> <li>32. Completed the development of SMD TRIM/FORM automation.</li> <li>33. Developed low-loss Schottky wafers</li> <li>34. Developed high operating temperature (H Type) Schottky wafers</li> <li>35. Development completed D2PAK full production line automatic line establishment</li> <li>36. Development completed TO220 Trim/Form automatic line establishment</li> <li>37. Development completed ITO220 Die bond automatic line establishment</li> <li>38. Development completed Folded SMA Snap Oven established</li> <li>39. Developed Schottky wafers for Al process</li> <li>40. Development completed MBR Low VF 60V Schottky wafer</li> <li>41. Development completed TS6P, TS4B full production line automatic line establishment</li> <li>42. Development completed GBU, GBL test TMTT automation</li> <li>43. Completed development of TO-220, ITO-220, D2PAK waterjet application process improvement</li> <li>44. Development completed MBR Low VF 45V Schottky wafer</li> <li>45. Development completed 0.5A 30V Schottky wafer</li> <li>46. Development completed 4" &amp; 5" epitaxial chip</li> <li>47. Developed Low VF 100/120V Schottky wafer</li> <li>48. Developed a thin Schottky wafer dedicated to uSMA</li> <li>49. Developed ITO-220 inverted type/CSMA, and set up automatic production line</li> <li>50. Developed Hall sensor IC</li> <li>51. Developed 600V, 700V super junction metal oxide half field effect transistors</li> </ol> |

| Product | Successfully developed technology or product   |
|---------|--|
|         | 52. Development completed 20~100V 750m cell metal oxide half field effect transistor<br>53. Developed AC-DC power conversion LED lighting IC<br>54. Development completed SMPC4.0, SMPC4.6 full production line automatic line establishment<br>55. Development of Low VF 150/200V Schottky wafers completed<br>56. Developed 800V super junction metal oxide half field effect transistor<br>57. Developed AC-DC power conversion LED dimming lighting IC<br>58. Completed the development of SOD-123W full production line automatic line establishment<br>59. Developed linear constant current LED lighting IC<br>60. Development completed DC-DC power conversion LED lighting IC |
|         |  |

#### 4. Long-term and short-term business development plan

short-term: (a) Strengthen the information system to provide complete Sales Channel management.

(b) Deepen and consolidate partnerships with potential and major domestic customers.

(c) Continuous improvement of Technical Marketing.

(d) New products with customized analog ICs and ultra-low impedance metal oxide field effect transistors, vigorously promote high-value terminal products such as automotive electronics, 5G communication devices and equipment, Potential customers such as data center equipment.

Long-term: (a) Horizontal/vertical expansion of power semiconductor products, In response to the concept of "One Stop Shopping" for future customers.

(b) Continue to pursue excellent quality in order to widen the difference competition with the industry.

(c) Actively expand the distribution of customers in emerging technology-related industries.

(d) Integrate global channels and branch resources to achieve multi-location service and design introduction, and global supply.

(e) Upwardly integrate the production of original wafers to provide a stable product production cycle.

## 2. Overview of market, production and sale

### 1. Market analysis

(1) The different information about the main product sales locations in the last two years is as follows:

Revenue is categorized based on the geographic location of the customer:

Unit : NTDS'000

| Year      | 2022 (consolidated) | 2021 (consolidated) |
|-----------|---------------------|---------------------|
| By region |                     |                     |
| Asia      | 6,901,855           | 6,074,567           |
| America   | 5,240,751           | 4,035,656           |
| Europe    | 3,438,214           | 2,936,254           |
| Other     | 106,314             | 130,940             |
| Total     | 15,687,134          | 13,177,417          |

(2) Main competitors

In terms of rectifiers, the main competitors in the industry include Vishay, manufacturers such as Nexperia and Infineon.

In recent years, due to the high rise in raw materials and wages, to cope with this trend change and maintain its competitiveness, the company has fully introduced higher-end automatic production equipment and higher specification production management tracking system. In addition to increasing productivity to reduce costs, and pursue the production goal of zero quality defects to meet customer needs in all aspects.

(3) Market share

The company's company-wide consolidated operating income for 2022 is NT\$15,687,134 thousand.

At present, the domestic listed companies producing diodes are Dunnan Technology, Pengcheng Technology, Dewei Technology, Qiangmao Electronics and Hongyang-KY. According to the statistics of the World Semiconductor Trade Statistics Association (WSTS) in 2022, The company's rectifier products account for approximately 3.0% of the world's market share of rectifier products.

(4) The future supply and demand situation and growth of the market

In the global electronics industry, the proportion of semiconductor components is increasing day by day from the double position in 2018. The number of growth has also increased to a certain extent this year. Especially semiconductors in automotive electronics, both 5G communications and smart city related application products maintained a high growth rate of 2 digits. In this market, it is almost monopolized and

covered by major international manufacturers. For Taiwan and a half to meet the high quality requirements and conditions of this market, it is important for performance growth and the increase in gross profit has helped a lot. In recent years, the continuous mergers and acquisitions of world-class manufacturers as a result, the number of customers' suppliers decreases, and the risk of purchase or supply of goods is also increased. However, the end customers still use most of the end products of these first-class international manufacturers. They are all relatively high-end products with a high unit price and have a certain high quality requirement. The above is also a great opportunity for us to seize market share. The company's products are diodes, small signal products, Power management analog IC and metal oxide field effect transistor products are basic components, its scope of application is extremely wide, such as household appliances, automobiles, communications, audio-visual, computers, multimedia, medical and industrial products are essential products. It is expected that under the following factors, global semiconductor power components may have demand opportunities for substantial growth.

- A. In emerging markets such as South Asia and India, the middle class with high dependence on electronic products is increasing rapidly And the vigorous development of electric vehicles, the market demand has greatly increased.
- B. High-frequency and fast industry trends.
- C. Development of China's automobile, communications and high-end electronic product circles.
- D. Decreased production advantages of Japanese, European and American manufacturers. Taiwanese manufacturers improve the same quality but have a price advantage, so that the production of terminal applications, Japanese and European manufacturers have shifted their orders Taiwanese power component manufacturer.
- E. Governments of various countries have increased the demand for Green Energy.
- F. Personalized electronic products have more and more human interface functions, and the demand for electrostatic protection has greatly increased. The promotion of the new transmission efficiency USB3.0 has higher requirements for electrostatic protection specifications.
- G. To avoid interference between components, electronic products are thinner and shorter, there is the emerging applications application of EMI filtering .
- H. The growth of automotive electronics is strong, and the demand in emerging markets is focused on ADAS, while the growth of security systems and infotainment systems has a huge impact.

I. The overall promotion of pure electric vehicles, for inverters, DC-DC converters, battery monitoring systems are all emerging applications.

J. Industrial application and motor control inverter market began to introduce power electronic control, the regulation through PWM is more efficient, for IGBT, MOSFET, high-voltage freewheeling diode, high-voltage 200V grooved Schottky, compared with the consumer electronics market, demand is a market with high gross profit and relatively stable growth. It is expected that in the future, power components will still show a steady growth trend. In addition, the company combines the strong firepower of R&D and technical marketing

in a business environment with excellent quality of basic technical personnel and excellent process yield and quality. Accurately design the specifications that meet the needs of various applications, and update the conceptual design:

Including cost, market price, application specifications, new product verification, yield rate and the most efficient capacity allocation, Provide the most competitive products to customers. Households, and the company's international industrial division strategy is properly applied, The company's supply of power components will continue to improve.

(5) Advantages and disadvantages of the development prospect and countermeasures. Favorable factors for the company's future development include:

- ( 1 ) A successful global strategizing strategy.
- ( 2 ) Broad product application field and flourishing Development space.
- ( 3 ) Diversified product portfolio.
- ( 4 ) Correct market positioning.
- ( 5 ) Flexible marketing strategy.
- ( 6 ) Strong research and development strength and technical standards.
- ( 7 ) Competitive quality level.
- ( 8 ) Independent research and development capabilities for new products.

The unfavorable factors of the company's future expansion include:

- ( 1 ) The mainland government's subsidy policy to the same industry in the local area can easily cause bargaining competition.
- ( 2 ) Domestic labor shortages and wages continue to rise, leading to higher production costs.

( 3 ) The degree of dependence on foreign sales is high, and profitability is easily affected by the exchange rate.

( 4 ) Global raw material prices fluctuate, it is expected that the supplier's raw material prices will rise under pressure.

The company mainly uses rectifiers, MOSFET and car lamp LED Driver related products are the main business scope, Currently owns a Lize wafer fab in Yilan, Taiwan (currently, it mainly produces 4-inch and 6-inch wafers, and the end products are used in the automotive electronics field). There is also a packaging plant in Yilan, Taiwan-Meizhou Plant G produces rectifiers and MOSFET-related products, including Tianjin Chang Wei Technology Co., Ltd.-owns a wafer factory (currently mainly produces 4-inch wafers, and the terminal products are mainly rectifier products of standard specifications), and the subsidiary Yangxin Everwell Electronics Co., Ltd.-responsible for the back-end packaging business. The production process between the company and the subsidiary responsible for the rectifier product line is the company's and after Tianjin Everwell Technology Co., Ltd. produces wafers for its own use, depending on the production schedule and packaging process requirements of each packaging factory, send it to Meizhou Factory or Yangxin Everwell Electronics Co., Ltd. for back-end packaging.

## 2. Important use and production process of main products

### (1) Main product use:

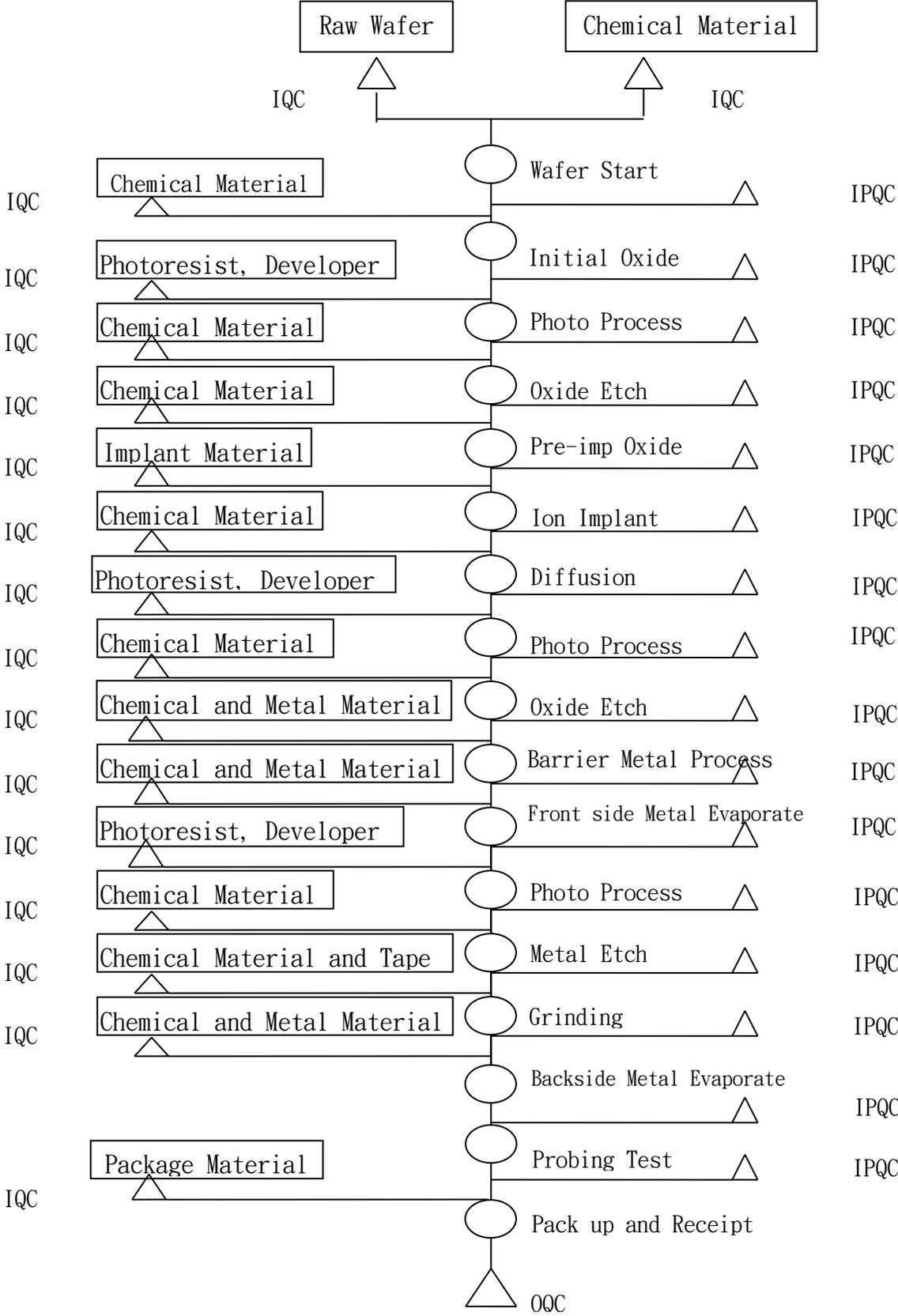
Power management IC and discrete components:

For lighting, renewable energy, automobiles, industry, personal consumer electronics, home appliances, communication equipment, computers, terminals, power supplies, medical equipment, Indispensable basic components for automobiles and industries.

### (2) Manufacture process

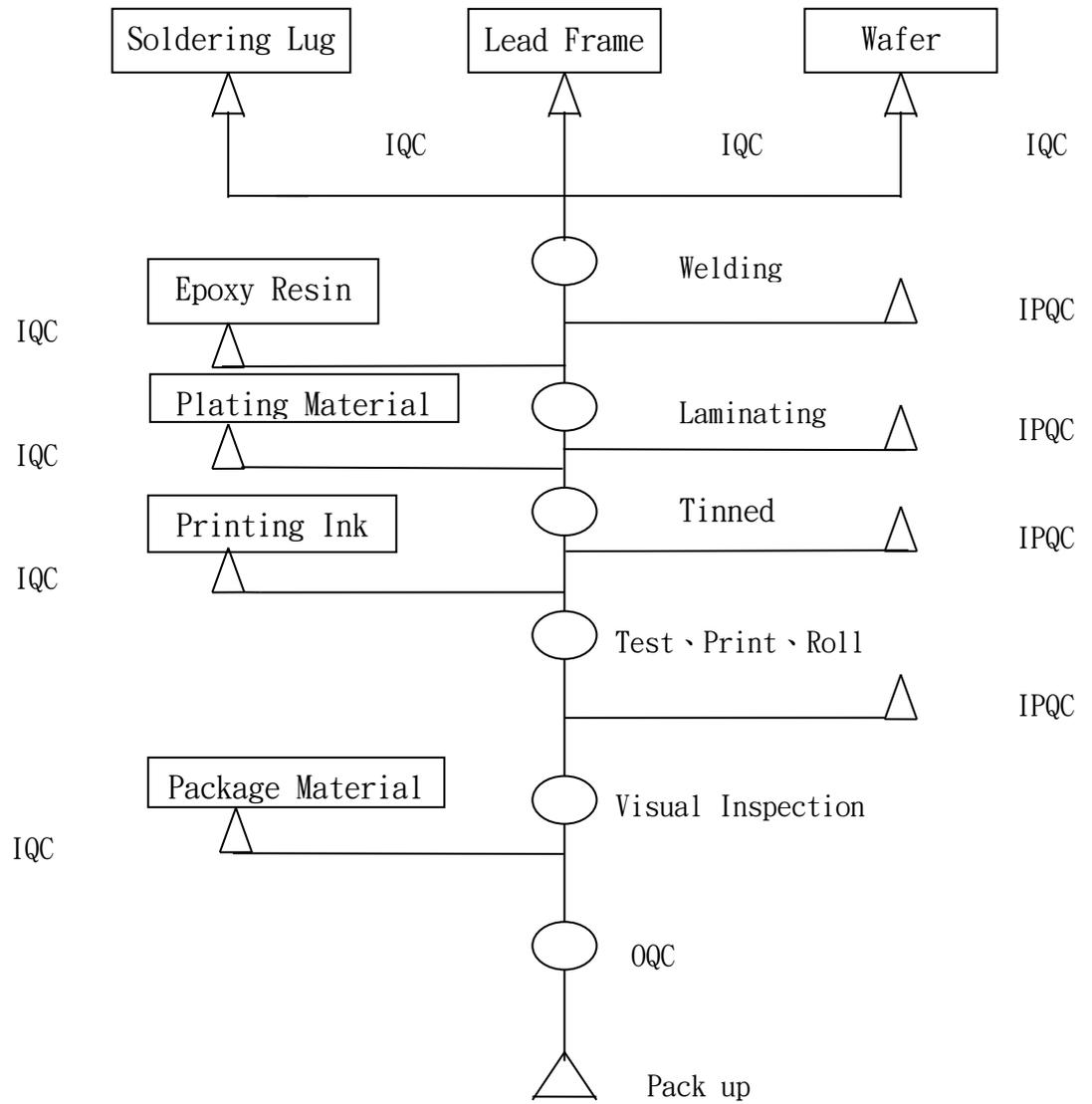
Wafer manufacture process

(2)Manufacture Procedure  
 Wafer manufacture process

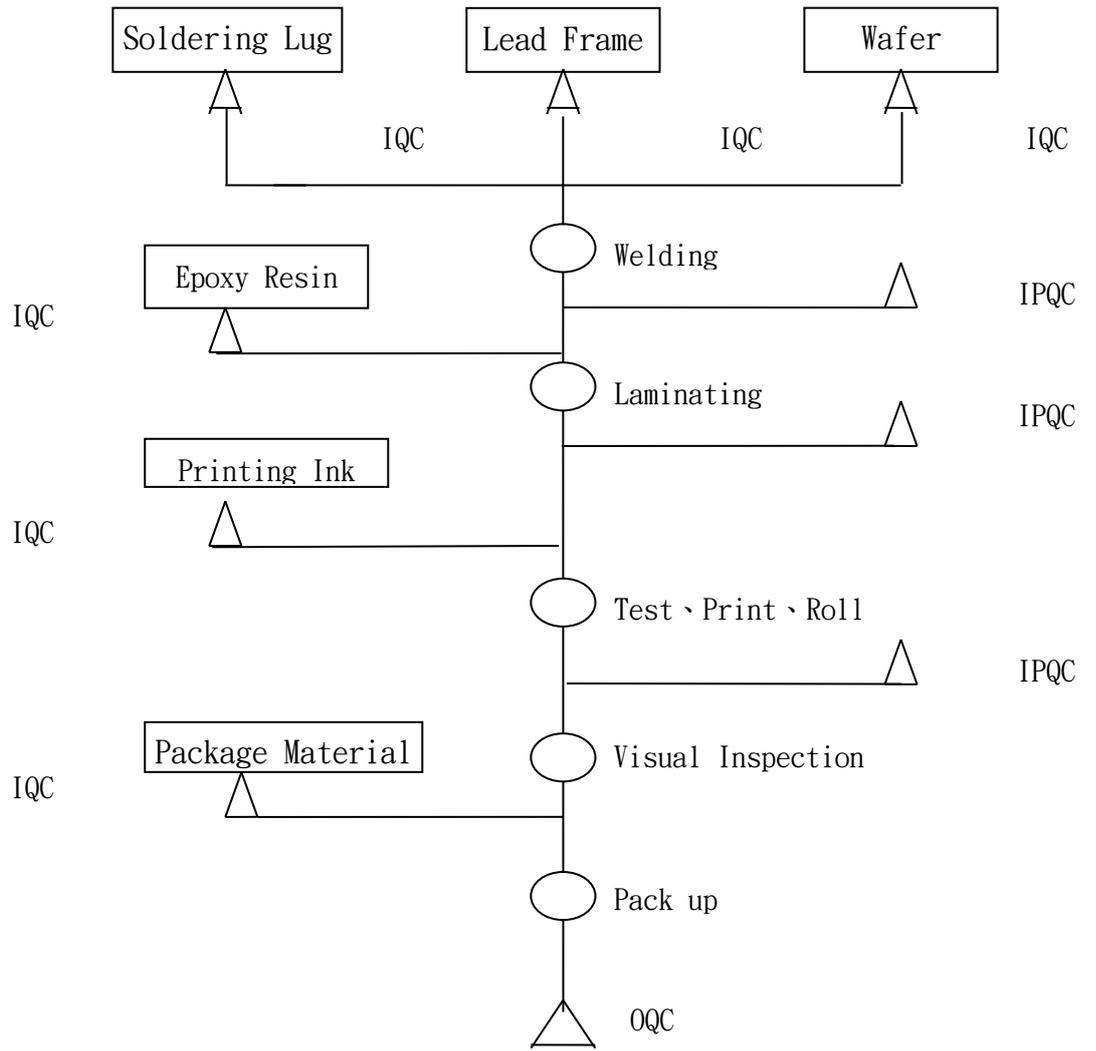




b、Glass Coating Rectifier Diode Manufacture Process



c、Bridge Rectifier Diode Manufacture Process



### 3. Supply status of main raw materials

The main raw materials of the rectifiers produced by our company are chips of various sizes, copper leads, transformers and other parts are not special parts, and the company has been established in 1979 and maintain with suppliers good technical cooperation and business relations, therefore, no long-term supply contracts have been signed with various suppliers. And the source of raw material procurement is quite scattered, with little change from major suppliers, the company's analog IC and metal oxide field-effect transistor product lines, through the contracted IC design, Wafer manufacturing, finished product packaging foundry, production customers in the virtual fab model fully grasp the pulsation of market demand, in the case of a high degree of supplier cooperation, the supply is in good condition, there is no danger of supply shortage or interruption.

### 4. In any of the most recent two years

The names of customers who have accounted for more than 10% of the total purchases (sales), the amount and proportion of purchases (sales), and the reasons for the increase or decrease:

(1) The list of suppliers that account for more than 10% of the total purchase amount:

Since the consolidated company has a large supplier base, it has not significantly concentrated on transactions with a single manufacturer. There were no suppliers that accounted for more than 10% of the total purchases in the last two years and as of the first quarter of 2023 year.

(2) List of customers who account for more than 10% of total sales:

Since the consolidated company has a large customer base and does not significantly concentrate on transactions with a single customer, there were no customers whose sales revenue accounted for more than 10% of the total operating revenue in the last two years and as of the first quarter of 2023 year.

### 5. Production value in the last two years

Unit : NTD\$'000;Kpcs;set

| year<br>Production value<br>Main products | 2022 Year                       |                                 |              | 2021 Year                       |                                 |              |
|---|---------------------------------|---------------------------------|--------------|---------------------------------|---------------------------------|--------------|
|   | Capacity                        | Yield                           | Output value | Capacity                        | Yield                           | Output value |
| Rectifier                                 | 9,566,990<br>Kpcs               | 7,063,352<br>Kpcs               | 5,401,199    | 9,568,832<br>Kpcs               | 7,063,712<br>Kpcs               | 4,889,954    |
| Barcode printer<br>(Note)                 | 840K set                        | 726K set                        | 6,316,171    | 947K set                        | 758K set                        | 5,056,847    |
| Total                                     | 9,566,990<br>Kpcs<br>& 840K set | 7,063,352<br>Kpcs<br>& 726K set | 11,717,370   | 9,568,832<br>Kpcs<br>& 947K set | 7,063,712<br>Kpcs<br>& 758K set | 9,946,801    |

Note: Including: (a) Barcode label printing paper output value: 2021 year NT\$2,046,436 thousand; 2022 year NT\$2,555,276 thousand (b) Parts and other output value: 2021 year NT\$687,494 thousand ; 2022 year NT\$1,053,802 thousand. Due to the wide variety of code label printing paper, spare parts and other products, the unit specifications are different, and the quantity is meaningless, so it is not listed.

6、Sales volume value in the last two years

Unit : NTD\$'000;Kpcs;set

| Year<br>Sales<br>Volume<br>Value<br>Main Products | 2022 Year                    |                |                                 |                | 2021 Year                    |                |                                 |                |
|---|------------------------------|----------------|---------------------------------|----------------|------------------------------|----------------|---------------------------------|----------------|
|   | Import                       |                | Export                          |                | Import                       |                | Export                          |                |
|   | Sales<br>Volume              | Sales<br>Value | Sales<br>Volume                 | Sales<br>Value | Sales<br>Volume              | Sales<br>Value | Sales<br>Volume                 | Sales<br>Value |
| Rectifier   | 218,826<br>Kpcs              | 345,145        | 6,509,415<br>Kpcs               | 7,375,124      | 257,950<br>Kpcs              | 330,634        | 6,607,548<br>Kpcs               | 5,998,064      |
| Barcode printer<br>(Note)                         | 18K set                      | 141,057        | 682K set                        | 7,825,808      | 20K set                      | 134,860        | 756K set                        | 6,713,859      |
| Total   | 218,826<br>Kpcs<br>& 18K set | 486,202        | 6,509,415<br>Kpcs<br>& 682K set | 15,200,932     | 257,950<br>Kpcs<br>& 20K set | 465,494        | 6,607,548<br>Kpcs<br>& 756K set | 12,711,923     |

Note: It contains: (a) Barcode label printing paper sales value: NT\$2,353,605 thousand in 2021;

NT\$2,981,617 thousand in 2022 (b) Sales value of spare parts and other:

In 2021, the domestic sales were NT\$17,728 thousand, and the foreign sales were NT\$492,396 thousand;

In 2022, the domestic sales will be NT\$34,242 thousand, and the export sales will be NT\$503,732 thousand.

Due to the wide variety of code label printing paper, spare parts and other products, the unit specifications are different.

The quantity has no comparative significance, so it will not be listed.

3、Information of employees in the most recent two years and as of the publication date of the annual report

| Year                               |                             | 2021 Year | 2022 Year | As of April<br>21, 2023 |
|------------------------------------|-----------------------------|-----------|-----------|-------------------------|
| Number of<br>workers               | Indirect personnel          | 801       | 869       | 934                     |
|                                    | Direct staff                | 760       | 763       | 654                     |
|                                    | Total                       | 1587      | 1632      | 1588                    |
| Average age                        |                             | 40.71     | 39        | 39                      |
| Average years of service           |                             | 8.10      | 8         | 8                       |
| Education<br>distribution<br>ratio | PhD                         | 5         | 5         | 5                       |
|                                    | Master's degree             | 79        | 92        | 106                     |
|                                    | University (Special)        | 557       | 613       | 606                     |
|                                    | High school<br>(vocational) | 559       | 560       | 539                     |
|                                    | Below high school           | 387       | 362       | 332                     |

Note: The above figures include the number of people in the rectifier group (including direct personnel on the production line);

About Barcode Printer Department

(TSC Auto ID Technology) Matters to be disclosed, TSC Auto ID Technology (stock code: 3611). The annual report has been compiled by itself, please refer to the company's annual report.

#### 4. Environmental protection expenditure information

The company's operating headquarters is located in Xindian District, New Taipei City. It comprehensively manages administrative affairs, customer service and provides support for various departments. It is not for production use, so there is no pollution discharge.

The production processes of the company's Yilan plant and Lize plant are equipped with pollution prevention equipment and related wastewater treatment equipment, and their settings are in compliance with laws and environmental protection standards. Wastes are also entrusted to legal waste treatment companies for processing.

In 2022, Lize Plant was an inspection by the Environmental Protection Bureau of Yilan County Government on May 21, 2022, and found that it violated Article 7, Paragraph 1, of the Water Pollution Prevention and Control Law that the drainage water did not meet the drainage water standard (SS exceeded the standard) (suspended solids: 2.39mg/L, Regulatory Maximum: (1mg/L). The plant was punished by the Yilan County Government Environmental Protection Bureau NT \$ 561 thousand and attended an environmental lecture for 2 hours in accordance with Article 23 of the Environmental Education Law. The Company has continued to improve and will strengthen management and personnel education and training to prevent any recurrence of environmental pollution.

To meet the requirements of the EU Environmental Protection Directive (RoHS), the company adopts green design management, green procurement management, green manufacturing management and green marketing management, and actively requires the raw materials and materials supplied by suppliers to comply with RoHS related regulations, so that the company's products can be exported smoothly. To the European area.

#### 5. Labor-management relations

1. List the company's various employee welfare measures, advanced studies, training, The retirement system and its implementation And the agreement between labor and management and various employee rights protection measures.

(1) Employee welfare measures:

(A) Group insurance: life insurance, accident insurance, medical insurance, and employee self-funded group insurance for relatives etc., to strengthen the protection of employees and their family members' lives.

(B) Wedding and funeral celebration subsidies.

(C) Annual travel.

(D) Scholarships for employees' children.

(E) Employee Stock Ownership Trust.

(F) Employees share dividends and invest in shares.

(G) The three-section gift money.

(H) Employee health check.

(2) Staff education and training

In line with the company's long-term development and employee growth plans, we promote the training system through a comprehensive training plan, synchronise internal and external education and training, and implement functional development, promote training planning through organisational needs, departmental professional training and personal development, and include long-term talent development

(Please refer to Appendix B on P.104 of the Annual Report for information on the education and training of the Company's staff)

(3) Retirement system and its implementation situation:

The Company currently operates a pension system, group insurance, employee profit-sharing scheme and employee stock option system, among other benefits. The Company has established a Labor Retirement Reserve Fund Supervisory Committee to protect the rights and interests of employees by providing a monthly contribution of 2% of total salary to the Bank of Taiwan's "Old System Labor Retirement Reserve Fund" account. Since July 1, 2005, the government's new retirement plan has been adopted, under which monthly contributions are made at a rate of 6% of the employee's total wages to the employee's personal pension account.

(4) Agreements between labor and management and various employee rights protection measures:

The Company's working conditions are governed by labour contracts, work rules, restrictions on competition and confidentiality agreements. In addition to protecting the rights of employees to work, employees are encouraged to express their views through continuous improvement of feedback and suggestion boxes, and an employee opinion survey will be conducted in 2023 as a long-term strategic reference. In addition, to encourage employees to stay physically fit through exercise, we are planning activities and competitions to encourage employees to stay physically and mentally fit in addition to working actively.

2. List the losses suffered due to labor disputes in the most recent year and as of the publication date of the annual report, and disclose the estimated amount that may occur at present and in the future and the corresponding countermeasures:

No major labor disputes.

6. Cyber security management:

1. The cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

The company has established the "Information Communication Policy and Network Information Security Management" (including the Information Security Operating Guidelines) to foster the awareness of information communication security and to popularize the overall information communication security culture while maximizing the use of the Company's network resources and avoiding the occurrence of leakage of confidential information of the Company through the Internet.

The Company has arranged for appropriate human resources and equipment to plan, monitor, and carry out the information security management operations.

**Information security risks do not have a significant impact on the Company's financial performance :**

The company has established an information security risk management framework, including (1) System emergency recovery plan (2) Information communication policy and network data security management (3) Internal major information processing and prevention of insider transaction management

Measures and other information security policies and the specific management plan is disclosed on the company's website [www.ts.com.tw](http://www.ts.com.tw); in addition, a dedicated person is designated to collect and disclose company information, set up a spokesperson and agent spokesperson system, and set up investor mailboxes to respond to investments immediately. The relevant information that the company needs to disclose in accordance with the law is immediately announced to investors in the "Public Information Observatory" for understanding and inquiries. The impact of information security risks on the company's financial performance and the company's response measures.

The Company also expected that by December 31, 2023, persons designated for the promotion and scheduling of comprehensive information security policies will be appointed as the Chief Information Security Officer and designated units, officers, and personnel for information security as at the date of publication of the annual report: The organization chart of the Company's Information Communication safety staffing is as follows:

2. List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None

**7. Critical Contract**

| Contract Nature | Parties      | Contract start and end date   | Main Content  | Restriction clause |
|-----------------|--------------|---|---------------|--------------------|
| Sales Contract  | Some company | 2013.04.23 to contract termination  | Product sales | None               |
| Sales Contract  | Some company | 2012.08.01 to contract termination  | Product sales | None               |
| Sales Contract  | Some company | 2013.10 to contract termination   | Product sales | None               |
| Sales Contract  | Some company | 2014.05.09 to contract termination  | Product sales | None               |
| Sales Contract  | Some company | 2022.07.24 to 2023.07.23 (automatically extend one year after expiration, The same applies thereafter until the termination of the customer notice) | Product sales | None               |
| Sales Contract  | Some company | 2015.10.02 to contract termination  | Product sales | None               |
| Sales Contract  | Some company | 2015.10.02 to contract termination  | Product sales | None               |

| Contract Nature               | Parties      | Contract start and end date          | Main Content  | Restriction clause     |
|-------------------------------|--------------|--------------------------------------|---|------------------------|
| Sales Contract                | Some company | 2015.12.09 to contract termination   | Semiconductor product sales                                 | None                   |
| Sales Contract                | Some company | 2016.04.18 to contract termination   | Product sales   | None                   |
| Purchase contract             | Some company | 2021.01.01 to 2021.12.31             | Subsidiary purchases wafers on behalf of the parent company | None                   |
| Supply contract               | Some company | 2018.05.02 to contract termination   | Product sales   | Confidentiality clause |
| Letter of Intent              | Some company | 2021.02.3 to 2025.02.02              | Product design mass production                              | Confidentiality clause |
| Capacity appointment contract | Some company | 2019.04.01 to 2021.09.30 termination | Appointment capacity  | None                   |
| Insurance contract            | Some company | 2022.04.18 to 2023.04.17             | Product Liability Insurance                                 | None                   |
| Confidentiality agreement     | Some company | 2020.9.22 to 2021.9.21               | Product sales involve confidential matters                  | Confidentiality clause |

## 6. Financial overview

### 1. Concise balance sheet and income statement for the most recent five years

#### Concise balance sheet and comprehensive income statement information

##### Concise balance sheet

Unit : NTD;000

| Year<br>Item                        | Financial information for the last five years (Note 1) |  |                                    |  |                                    |  |                                    |  |                                    |  | End of the<br>current year<br>Financial<br>data as of<br>March 31,<br>2023<br>(Note 2) |           |
|-------------------------------------|--|--|------------------------------------|--|------------------------------------|--|------------------------------------|--|------------------------------------|--|--|-----------|
|                                     | 2018<br>December 31<br>(Merged)                        | 2018<br>December<br>31<br>(individual) | 2019<br>December<br>31<br>(Merged) | 2019<br>December<br>31<br>(individual) | 2020<br>December<br>31<br>(Merged) | 2020<br>December<br>31<br>(individual) | 2021<br>December<br>31<br>(Merged) | 2021<br>December<br>31<br>(individual) | 2022<br>December<br>31<br>(Merged) | 2022<br>December<br>31<br>(individual) |  |           |
| Current assets                      | 7,624,867  | 2,753,456                              | 6,627,674                          | 1,868,008                              | 7,445,021                          | 1,979,477                              | 8,868,174                          | 2,850,712                              | 11,071,211                         | 3,769,845                              | 11,131,958   |           |
| Real estate, plant<br>and equipment | 3,378,427  | 1,336,883                              | 4,331,589                          | 2,118,419                              | 4,562,886                          | 2,594,748                              | 4,501,135                          | 2,379,502                              | 4,483,033                          | 2,168,878                              | 4,417,745  |           |
| Intangible assets                   | 1,390,062  | 51,106                                 | 1,665,251                          | 83,333                                 | 1,530,728                          | 101,421                                | 1,412,442                          | 91,453                                 | 1,444,978                          | 64,459                                 | 1,416,389  |           |
| Other assets                        | 1,538,943  | 4,987,184                              | 1,743,593                          | 4,680,722                              | 1,091,838                          | 4,232,242                              | 1,204,220                          | 4,583,641                              | 1,217,597                          | 5,397,293                              | 1,198,285  |           |
| Total assets                        | 13,932,299   | 9,128,629                              | 14,368,107                         | 8,750,482                              | 14,630,473                         | 8,907,888                              | 15,985,971                         | 9,905,308                              | 18,216,819                         | 11,400,475                             | 18,164,377   |           |
| Current<br>liabilities<br>debt      | Before<br>distrib<br>ution                             | 5,113,538                              | 2,207,067                          | 4,843,208                              | 2,655,186                          | 4,542,988                              | 2,428,202                          | 4,304,035                              | 1,824,139                          | 5,352,057                              | 2,349,490  | 5,057,200 |
|                                     | After<br>distrib<br>ution                              | 5,836,877                              | 2,930,406                          | 5,214,989                              | 3,026,967                          | 4,914,769                              | 2,799,983                          | 4,699,263                              | 2,219,367                          | -                                      | -  | -         |
| Non-current                         | 1,524,370  | 1,299,367                              | 2,047,436                          | 488,585                                | 2,238,896                          | 651,998                                | 2,454,427                          | 1,054,514                              | 2,139,279                          | 989,053                                | 2,022,760  |           |

|   |                     |           |           |           |           |           |           |           |           |           |           |           |
|---|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Liabilities debt                                    |                     |           |           |           |           |           |           |           |           |           |           |           |
| Total liabilities                                   | Before distribution | 6,637,908 | 3,506,434 | 6,890,644 | 3,143,771 | 6,781,884 | 3,080,200 | 6,758,462 | 2,878,653 | 7,491,336 | 3,338,543 | 7,079,960 |
|   | After distribution  | 7,361,247 | 4,229,773 | 7,262,425 | 3,515,552 | 7,153,665 | 3,451,981 | 7,153,690 | 3,273,881 | -         | -         | -         |
| Equity attributable to owners of the parent company |                     | 5,622,195 | 5,622,195 | 5,606,711 | 5,606,711 | 5,827,688 | 5,827,688 | 7,026,655 | 7,026,655 | 8,061,932 | 8,061,932 | 8,296,660 |

| Item \ Year               | Financial information for the last five years (Note 1) |                               |                           |                               |                           |                               |                           |                               |                           |                               | End of the current year Financial data as of March 31, 2023 (Note 2) |            |
|---------------------------|--|-------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|--|------------|
|                           | 2018 December 31 (Merged)                              | 2018 December 31 (individual) | 2019 December 31 (Merged) | 2019 December 31 (individual) | 2020 December 31 (Merged) | 2020 December 31 (individual) | 2021 December 31 (Merged) | 2021 December 31 (individual) | 2022 December 31 (Merged) | 2022 December 31 (individual) |  |            |
| Equity                    | 2,427,129  | 2,427,129                     | 2,494,539                 | 2,494,539                     | 2,516,735                 | 2,516,735                     | 2,650,854                 | 2,650,854                     | 2,634,854                 | 2,634,854                     | 2,634,854  |            |
| Capital reserve           | 1,104,513  | 1,104,513                     | 1,394,743                 | 1,394,743                     | 1,516,265                 | 1,516,265                     | 2,166,799                 | 2,166,799                     | 2,137,088                 | 2,137,088                     | 2,136,998  |            |
| Retained surplus          | Before distribution                                    | 2,427,129                     | 2,427,129                 | 2,494,539                     | 2,494,539                 | 2,516,735                     | 2,516,735                 | 3,247,117                     | 3,247,117                 | 4,155,591                     | 4,155,591  | 4,385,908  |
|                           | After distribution                                     | 1,104,513                     | 1,104,513                 | 1,394,743                     | 1,394,743                 | 1,516,265                     | 1,516,265                 | 2,851,889                     | 2,851,889                 | -                             | -  | -          |
| Other rights              | (306,433)  | (306,433)                     | (445,618)                 | (445,618)                     | (459,300)                 | (459,300)                     | (531,125)                 | (531,125)                     | (359,558)                 | (359,558)                     | (355,057)  |            |
| Treasury stock            | (391,565)  | (391,565)                     | (430,042)                 | (430,042)                     | (506,990)                 | (506,990)                     | (506,990)                 | (506,990)                     | (506,043)                 | (506,043)                     | (506,043)  |            |
| Non-controlling interests | 1,672,196  | -                             | 1,870,752                 | -                             | 2,020,901                 | -                             | 2,200,854                 | -                             | 2,663,551                 | -                             | 2,787,757  |            |
| Total equity              | Before distribution                                    | 7,294,391                     | 5,622,195                 | 7,477,463                     | 5,606,711                 | 7,848,589                     | 5,827,688                 | 9,227,509                     | 7,026,655                 | 10,725,483                    | 8,061,932  | 11,084,417 |
|                           | After distribution                                     | 6,571,052                     | 4,898,856                 | 7,105,682                     | 5,234,930                 | 7,476,808                     | 5,455,907                 | 8,832,281                     | 6,631,427                 | -                             | -  | -          |

Note 1: 2018~2022 financial information (consolidated and individual) has been checked by an accountant.

Note 2: The financial information (consolidated) for the first quarter of 2023 has been reviewed by an accountant.

## Concise Comprehensive Income Statement

Unit : \$NTD'000

| Year<br>Item   | Financial information for the last five years (Note 1) |                                  |                              |                                  |                              |                                  |                              |                                  |                              |                                  | End of the<br>current year<br>Financial data<br>as of March<br>31, 2023<br>(Note 2) |
|--|--|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|---|
|  | 2018<br>December<br>(Merged)                           | 2018<br>December<br>(individual) | 2019<br>December<br>(Merged) | 2019<br>December<br>(individual) | 2020<br>December<br>(Merged) | 2020<br>December<br>(individual) | 2021<br>December<br>(Merged) | 2021<br>December<br>(individual) | 2022<br>December<br>(Merged) | 2022<br>December<br>(individual) |   |
| Operating income   | 9,610,470  | 4,408,617                        | 10,504,202                   | 3,642,936                        | 10,390,279                   | 3,642,461                        | 13,177,417                   | 4,803,477                        | 15,687,134                   | 5,699,155                        | 3,625,363   |
| Operating margin   | 3,528,054  | 1,004,834                        | 3,361,687                    | 716,223                          | 3,171,243                    | 574,723                          | 4,127,721                    | 904,373                          | 5,349,166                    | 1,587,563                        | 1,125,312   |
| Operating profit and loss  | 1,708,886  | 431,484                          | 1,298,331                    | 201,986                          | 1,261,593                    | 74,834                           | 1,908,907                    | 256,891                          | 2,790,521                    | 770,056                          | 489,477   |
| Non-operating income and expenses  | 66,577   | 573,498                          | 659                          | 390,061                          | 67,221                       | 506,774                          | 38,725                       | 749,009                          | 223,409                      | 1,059,503                        | 4,757   |
| Net profit before tax  | 1,775,463  | 1,004,982                        | 1,298,990                    | 592,047                          | 1,328,814                    | 581,608                          | 1,947,632                    | 1,005,900                        | 3,013,930                    | 1,829,559                        | 494,234   |
| Continuing business unit's current net profit                              | 1,249,500  | 812,307                          | 1,011,179                    | 527,629                          | 992,349                      | 537,242                          | 1,381,895                    | 882,805                          | 2,176,915                    | 1,562,887                        | 360,393   |
| Loss of closed business units  | -  | -                                | -                            | -                                | -                            | -                                | -                            | -                                | -                            | -                                | -   |
| Net profit (loss) for the period   | 1,249,500  | 812,307                          | 1,011,179                    | 527,629                          | 992,349                      | 537,242                          | 1,381,895                    | 882,805                          | 2,176,915                    | 1,562,887                        | 360,393   |
| Other comprehensive gains and losses of the current period (net after tax) | (50,534)   | (65,765)                         | (174,714)                    | (137,689)                        | (53,424)                     | (11,254)                         | (112,081)                    | (73,263)                         | 301,158                      | 175,868                          | (3,131)   |

|   |           |         |         |         |         |         |           |         |           |           |         |
|---|-----------|---------|---------|---------|---------|---------|-----------|---------|-----------|-----------|---------|
| Total comprehensive profit and loss for the current period                                  | 1,198,966 | 746,542 | 836,465 | 389,940 | 938,925 | 525,988 | 1,269,814 | 809,542 | 2,478,073 | 1,738,755 | 357,262 |
| Net profit attributable to owners of the parent company                                     | 812,307   | 746,542 | 527,629 | 389,940 | 537,242 | 525,988 | 882,805   | 882,805 | 1,562,887 | 1,562,887 | 230,317 |
| Net profit attributable to non-controlling interests  | 437,193   | -       | 483,550 | -       | 455,107 | -       | 499,090   | -       | 614,028   | -         | 130,076 |
| The total comprehensive profit and loss is attributable to the owners of the parent company | 746,542   | 746,542 | 389,940 | 389,940 | 525,988 | 525,988 | 809,542   | 809,542 | 1,738,755 | 1,738,755 | 234,818 |
| Total comprehensive profit and loss attributable to non-controlling interests               | 452,424   | -       | 446,525 | -       | 412,937 | -       | 460,272   | -       | 739,318   | -         | 122,444 |
| Earnings per share  | 3.53      | 3.53    | 2.29    | 2.29    | 2.29    | 2.29    | 3.55      | 3.55    | 6.28      | 6.28      | 0.93    |

Note 1: 2018~2022 financial information (consolidated and individual) has been checked by an accountant.

Note 2: The financial information (consolidated) for the first quarter of 2023 has been reviewed by an accountant.

### 3、Names of accountants in the last five years and their review opinions

| Year            | 2018 Year              | 2019 Year              | 2020 Year              | 2021 Year              | 2022 Year              |
|-----------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Visa accountant | Mei Yuanzhen Xu Yufeng |
| Check opinion   | Unqualified opinion    | Unqualified opinion    | Unqualified opinion    | Unqualified opinion    | Unqualified opinion    |

## 2. Financial analysis of the last five years

### Financial Analysis

| Year<br>Analysis item (Note 3) | Financial information for the last five years                         |                                       |                                   |                                       |                                   |                                       |                                  |                                       |                                   |                                       |                                       | End of the current year as of March 31, 2023 (Note 2) |
|--------------------------------|---|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|---|
|                                | 2018 December 31 (Merged) Note(1)                                     | 2018 December 31 (individual) Note(1) | 2019 December 31 (Merged) Note(1) | 2019 December 31 (individual) Note(1) | 2020 December 31 (Merged) Note(1) | 2020 December 31 (individual) Note(1) | 201 December 31 (Merged) Note(1) | 2021 December 31 (individual) Note(1) | 2022 December 31 (Merged) Note(1) | 2022 December 31 (individual) Note(1) | 2022 December 31 (individual) Note(1) |   |
| Financial structure            | Liabilities to assets ratio (%)                                       | 47.64                                 | 38.41                             | 47.96                                 | 35.93                             | 46.35                                 | 34.58                            | 42.28                                 | 29.06                             | 41.12                                 | 29.28                                 | 38.98   |
|                                | Percentage of long-term funds in real estate, plant and equipment (%) | 261.03                                | 517.74                            | 219.89                                | 287.73                            | 221.08                                | 249.72                           | 259.53                                | 339.62                            | 286.97                                | 417.31                                | 296.69  |
| Solvency                       | Current ratio (%)   | 149.11                                | 124.76                            | 136.84                                | 70.35                             | 163.88                                | 81.52                            | 206.04                                | 156.28                            | 206.86                                | 160.45                                | 220.12  |
|                                | Quick ratio (%)   | 109.95                                | 91.43                             | 96.14                                 | 45.71                             | 120.38                                | 53.30                            | 145.12                                | 110.81                            | 136.76                                | 104.98                                | 143.40  |
|                                | Interest coverage ratio   | 39.58                                 | 49.53                             | 20.87                                 | 50.20                             | 35.83                                 | 25.70                            | 62.01                                 | 187.34                            | 79.63                                 | 187.50                                | 30.37   |
| Management capacity            | Turnover rate of accounts receivable (times)                          | 4.59                                  | 4.21                              | 4.88                                  | 3.80                              | 4.62                                  | 4.33                             | 4.95                                  | 4.50                              | 5.26                                  | 6.01                                  | 4.93  |
|                                | Average cash collection days  | 79.52                                 | 86.70                             | 74.80                                 | 96.05                             | 79.00                                 | 84.30                            | 73.74                                 | 81.11                             | 69.39                                 | 60.73                                 | 74.04   |
|                                | Inventory turnover rate (times)                                       | 3.64                                  | 6.15                              | 4.12                                  | 5.01                              | 4.05                                  | 5.33                             | 4.26                                  | 5.69                              | 3.48                                  | 4.15                                  | 2.81  |
|                                | Turnover rate of accounts payable (times)                             | 4.62                                  | 4.90                              | 6.21                                  | 4.74                              | 6.57                                  | 4.56                             | 6.35                                  | 4.53                              | 6.22                                  | 4.51                                  | 6.23  |
|                                | Average sales days  | 100.27                                | 59.35                             | 88.59                                 | 72.85                             | 90.12                                 | 68.48                            | 85.68                                 | 64.15                             | 104.89                                | 87.95                                 | 129.89  |

| Year                   | Financial information for the last five years             |                                       |                                   |                                       |                                   |                                       |                                  |                                       |                                   |                                       |        | End of the current year as of March 31, 2023 (Note 2) |       |
|------------------------|---|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|--------|---|-------|
|                        | 2018 December 31 (Merged) Note(1)                         | 2018 December 31 (individual) Note(1) | 2019 December 31 (Merged) Note(1) | 2019 December 31 (individual) Note(1) | 2020 December 31 (Merged) Note(1) | 2020 December 31 (individual) Note(1) | 201 December 31 (Merged) Note(1) | 2021 December 31 (individual) Note(1) | 2022 December 31 (Merged) Note(1) | 2022 December 31 (individual) Note(1) |        |   |       |
| Analysis item (Note 3) | Turnover rate of real estate, plant and equipment (times) | 2.93                                  | 3.27                              | 2.72                                  | 2.11                              | 2.34                                  | 1.55                             | 2.91                                  | 1.93                              | 3.49                                  | 2.51   | 3.26  |       |
|                        | Turnover rate of total assets (times)                     | 0.75                                  | 0.54                              | 0.74                                  | 0.41                              | 0.72                                  | 0.41                             | 0.86                                  | 0.51                              | 0.92                                  | 0.53   | 0.80  |       |
| Profitability          | Return on assets (%)                                      | 10.06                                 | 10.14                             | 7.48                                  | 6.01                              | 7.04                                  | 6.28                             | 9.19                                  | 9.43                              | 12.89                                 | 14.75  | 8.19  |       |
|                        | Return on equity (%)                                      | 17.57                                 | 14.63                             | 13.69                                 | 9.40                              | 12.95                                 | 9.40                             | 16.19                                 | 13.74                             | 21.82                                 | 20.72  | 13.22   |       |
|                        | Percentage of actual capital (%)                          | Business interest                     | 70.41                             | 17.78                                 | 52.05                             | 8.10                                  | 50.13                            | 2.97                                  | 72.01                             | 9.69                                  | 105.91 | 29.23   | 74.31 |
|                        |   | Net profit before tax (Note 7)        | 73.15                             | 41.41                                 | 52.07                             | 23.73                                 | 52.80                            | 23.11                                 | 73.47                             | 37.95                                 | 114.39 | 69.44   | 75.03 |
|                        | Net profit rate (%)                                       | 13.00                                 | 18.43                             | 9.63                                  | 14.48                             | 9.55                                  | 14.75                            | 10.49                                 | 18.38                             | 13.88                                 | 27.42  | 9.94  |       |
|                        | Earnings per share (yuan)                                 | 3.53                                  | 3.53                              | 2.29                                  | 2.29                              | 2.29                                  | 2.29                             | 3.55                                  | 3.55                              | 6.28                                  | 6.28   | 0.93  |       |
| Cash flow              | Cash flow ratio (%)                                       | 28.80                                 | 0.59                              | 43.03                                 | 47.31                             | 32.22                                 | 27.59                            | 46.29                                 | 30.31                             | 41.05                                 | 46.19  | 8.30  |       |
|                        | Allowable cash flow ratio (%)                             | 86.43                                 | 56.87                             | 76.79                                 | 58.28                             | 81.54                                 | 57.84                            | 95.19                                 | 56.84                             | 102.76                                | 56.15  | 96.74   |       |
|                        | Cash reinvestment ratio (%)                               | 7.63                                  | -8.87                             | 13.17                                 | 7.33                              | 9.30                                  | 3.78                             | 11.36                                 | 1.61                              | 9.80                                  | 7.24   | 2.66  |       |
| Leverage               | Operating leverage  | 5.00                                  | 9.44                              | 6.22                                  | 14.31                             | 6.70                                  | 42.55                            | 5.53                                  | 15.23                             | 4.53                                  | 5.94   | 5.87  |       |
|                        | Financial leverage  | 1.03                                  | 1.05                              | 1.05                                  | 1.06                              | 1.03                                  | 1.18                             | 1.02                                  | 1.02                              | 1.01                                  | 1.01   | 1.04  |       |

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

(a) The increase in quick ratio was mainly due to the increase in inventory in current assets,

Due to the decrease in prepayments and the decrease in short-term borrowings.

(b) The interest coverage ratio increases.

Mainly due to the increase in pre-tax net profit and the decrease in interest expenses.

(c) The cash flow ratio has fallen.

Mainly because the decrease in net cash inflow from operating activities was greater than the decrease in current liabilities.

(d) The cash reinvestment ratio decreased, mainly due to the decrease in net cash inflow from operating activities, increase in real estate, delivery rooms and equipment, increased working capital and decreased other non-current assets.

(e) The increase in operating income, net income before tax to paid-in capital ratio and earnings per share was mainly due to the increase in net income after tax.

(f) The increase in cash flow ratio was mainly due to the increase in net cash inflow from operating activities, which was greater than the decrease in current liabilities.

(g) The increase in cash reinvestment ratio was mainly due to the increase in net cash inflow from operating activities, the decrease in property, plant and equipment, and the increase in working capital.

Note 1: The financial data (and individuals) from 2018 to 2022 are reviewed by accountants.

Note 2: The financial information (consolidated) for the first quarter of 2023 has been reviewed by an accountant.

Note 3: At the end of this form in the annual report, the following calculation formula should be listed:

#### 1. Financial structure

(1) Liabilities to assets ratio = total liabilities/total assets.

(2) The ratio of long-term funds to real estate, plant and equipment =  
(Total equity + non-current liabilities) / Net real estate, plant and equipment.

#### 2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets-inventory-prepaid expenses) / current liabilities.

(3) Interest protection multiple = net profit before income tax and interest expense/interest expense in the current period.

#### 3. Operating ability

(1) Turnover rate of accounts receivable (including accounts receivable and notes receivable arising from business) =

Net sales/

The average balance of accounts receivable (including accounts receivable and notes receivable due to business) in each period.

(2) Average number of days for cash collection =  $365 / \text{turnover rate of accounts receivable}$ .

(3) Inventory turnover rate =  $\text{cost of goods sold} / \text{average inventory value}$ .

(4) Turnover rate of accounts payable (including accounts payable and notes payable due to business) =  $\text{Cost of goods sold} / \text{average payables for each period}$

(Including accounts payable and bills payable due to business) balance.

(5) Average sales days =  $365 / \text{inventory turnover rate}$ .

(6) Turnover rate of real estate, plant and equipment =  $\text{net sales} / \text{average real estate,}$

Net plant and equipment.

(7) Turnover rate of total assets =  $\text{net sales} / \text{total average assets}$ .

#### 4. Profitability

(1) Return on assets =  $[\text{After-tax profit and loss} + \text{interest expense} \times (1 - \text{tax rate})] / \text{Average total assets}$ .

(2) Return on equity =  $\text{after-tax profit and loss} / \text{average total equity}$ .

(3) Net profit rate =  $\text{after-tax profit and loss} / \text{net sales}$ .

(4) Earnings per share =  $\text{Profit and loss attributable to owners of the parent company-special stock dividends} /$

The weighted average number of outstanding shares. (Note 4)

#### 5. Cash flow

(1) Cash flow ratio =  $\text{net cash flow from operating activities} / \text{current liabilities}$ .

(2) Allowable ratio of net cash flow =  $\text{net cash flow from operating activities in the most recent five years} / \text{The most recent five years (capital expenditure} + \text{inventory increase} + \text{cash dividends)}$ .

(3) Cash reinvestment ratio =  $\text{net cash flow from operating activities} - \text{cash dividends} / \text{Gross real estate, plant and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{Working capital}$ . (Note 5)

#### 6. Leverage:

(1) Operating leverage =  $\text{net operating income} - \text{variable operating costs and expenses} / \text{Operating profit}$  (Note 6).

(2) Financial leverage =  $\text{operating profit} / (\text{operating profit} - \text{interest expense})$ .

Note 4: The following matters shall be noticed when measuring aforesaid EPS calculations:

1. Weighted Average Number of Common Shares shall be the basis instead of Number of Shares issued at the end of the year.

2. In case there is cash capital increase or trading of treasury shares, the calculation periods shall be taken into consideration when calculating Weighted Average Number of Shares.

3. In case there is capital increase from Earning Transferred to Capital or Capital Surplus, a retroactive adjustment based on capital increase proportion shall be made upon calculation of EPS in previous years and halves of the year without consideration of the issuance period for such capital increase.

4. In case a preferred share is a cumulative preferred share not convertible, the dividend of the year (regardless of distribution status) shall be deducted from net profit after tax, or shall be added with net loss after tax. In case a preferred share is noncumulative, where there is net profit after, tax, the dividend of preferred shares shall be deducted from the net profit after

tax; where there is a loss, such adjustment may be exempted.

Note 5: The following matters shall be noticed when measuring the Cash Flow Analysis:

1. Net Cash Flow from Operating Activities refers to net cash inflow from operating activities in the table of Cash Flow .
2. Capital Expenditure refers to amount of cash payments for each year's capital investments.
3. The amount of inventory increase shall be recognized where the ending balance is greater than beginning balance; in case of decrease in inventory, such amount shall be zero.
4. Cash Dividend includes Cash Dividend from Common Shares and Preferred Shares.
5. Gross of Property, Plant and Equipment refers to total amount of Property, Plant and Equipment before deduction of accumulated depreciation.

Note 6: The issuer shall divide various operating costs and operating expenses into fixed and variable based on characteristics; where estimates or subjective judgements are involved, the reasonableness of such behavior and consistency shall be noticed.

Note 7: The company's shares have no denomination or the denomination per share is not NT\$10,

The previous calculation of the ratio of paid-in capital,

It is calculated based on the equity ratio attributable to the owners of the parent company on the balance sheet.

### 3. The audit committee review report of the most recent financial report

#### TAIWAN SEMICONDUCTOR Co., LTD. Audit Committee's Review Report

The Board of Directors has prepared the business report, individual financial report, consolidated financial report, and surplus earnings distribution proposal of 2022 of the company. Among them, the individual financial report and consolidated financial report were appointed by the board of directors to accountants Mei, Yuan-Zhen and Xu, Yu-Feng of KPMG to complete the audit and issue an audit report. The business report, individual financial report, consolidated financial report, and surplus earnings distribution proposal are reviewed by the Committee and found true and correct. The Committee hereby submits the aforementioned reports and proposal for approval in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Submitted to:

2023 Annual General Meeting of TAIWAN SEMICONDUCTOR Co., LTD.

TAIWAN SEMICONDUCTOR Co., LTD.

Convener of Audit Committee: Jhan Cian Long



Audit Committeeman: Lin Bo Sheng



Audit Committeeman: Fan Hong Shu

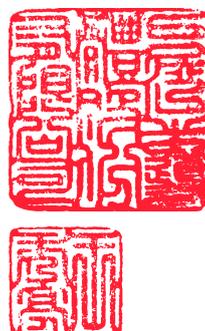


March 15, 2023

### Representation Letter

The entities that are required to be included in the combined financial statements of TAIWAN SEMICONDUCTOR CO., LTD. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements," endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TAIWAN SEMICONDUCTOR CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TAIWAN SEMICONDUCTOR CO., LTD.  
Chairman: Wang Shiu-Ting  
Date: March 15, 2023





安侯建業聯合會計師事務所

KPMG

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## Independent Auditors' Report

To the Board of Directors of TAIWAN SEMICONDUCTOR CO., LTD.:

### Opinion

We have audited the consolidated financial statements of TAIWAN SEMICONDUCTOR CO., LTD. (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as of December 31, 2022 and 2021, the consolidated statement of comprehensive income, consolidated changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations, developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect. By the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of TAIWAN SEMICONDUCTOR CO., LTD. and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. Base on our audits and the report of the other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Other Matter

We did not audit the financial statements of TSC Auto ID Technology Co., Ltd. (TSC Auto ID) of the Group. Those statements were audited by the other Certified Public Accountants whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for TSC Auto ID, is based solely on the report of the other Certified Public Accountants. The financial statements of TSC Auto ID reflect the total assets constituting 39.48% and 41.27% of the consolidated total assets at December 31, 2022 and 2021, respectively, and the total operating revenues constituting 50.79% and 51.97% of the consolidated total operating revenues for the years then ended respectively.

The company has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion with other matters paragraph.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 1. Valuation of accounts receivable

Please refer to Note 4(g) “Financial instruments” of the consolidated financial statements for details on the accounting policy about valuation on accounts receivable; Note 5 “Assessment of impairment of trade receivable” for details on the significant accounting assumptions and judgments, and major sources of the estimation uncertainty on accounts receivable; and Note 6(c) “Notes and accounts receivable” for details on the related explanation .

#### Description of key audit matter

The Group has transactions with a large number of customers and the accounts receivable collection days differ in length. As a result, the expected credit loss determined for accounts receivable lies in the management’s subjective judgment based on experience. Therefore, the accounts receivable of the Group is one of our key audit matters.

How the matter was addressed in our audit:

Our key audit procedures included (i) analyzing the reasonableness of the accounts receivable at the year-end and considering the collection subsequent to the year-end. (ii) verifying the adequacy of the Group’s expected credit loss provisions against trade receivables by assessing the relevant assumptions. (iii) taking account of our own knowledge on recent collections experience in this industry and also historical data from the Group’s previous collections experience in order to assess the reasonableness of the expected credit loss for accounts receivable. Besides, we assessed that the valuation of accounts receivable was disclosed the notes to the consolidated financial statements properly.

### 2. The assessment of impairment loss of goodwill

Please refer to Note 4(l) “Impairment of nonfinancial assets” of the consolidated financial statements for details on the accounting policy related to impairment loss of goodwill; and Note 6(i) “Goodwill” for details on the related explanation.

#### Description of key audit matter

When the Group obtained the business combinations and its control, and recognized a goodwill in the consolidated financial report, the amount is regarded as material. Besides, evaluating whether goodwill is impaired depends on the estimation of the future cash flow of the cashgenerating unit to determine the recoverable amount. The estimation of the future cash flow involves industrial environment and the forecast of the future operating results. Once the indicators of the forecast change, the recoverable amount will change as well and may cause an impairment loss.

How the matter was addressed in our audit:

Our key audit procedures included: (i) obtaining the assessment on impairment loss of goodwill report provided by the evaluator appointed by the management of TSC, as well as inquiring and assessing the professional ability and independence. (ii) appointing the internal expert to execute the related procedures to assess the reasonableness of the assumption used in the evaluation model and weighted average cost of capital. (iii) evaluating the previous operating conditions, the conditions of industrial environment and future outlook, etc. in order to comprehensively determine the reasonableness of the assessment on impairment loss of goodwill.



The adoption of the independent auditor's reports of TSC Auto ID issued by other Certified Public Accountants included (i) communication of the related issue with other Certified Public Accountants, which included sending audit instruction to other Certified Public Accountants and obtaining the independent auditor's report of TSC Auto ID issued by other Certified Public Accountants. The audit procedure executed by other Certified Public Accountants included (1) obtaining the report of the assessment of impairment loss of goodwill provided by the evaluation expert appointed by the management of TSC Auto ID. (2) understanding and assessing the reasonableness of the recoverable amount based on the evaluation model. (3) comprehensively assessing the reasonableness of the assessment of impairment loss of goodwill based on the assumption used in the evaluation model, including sales growth rate, profit margin, weighted average cost of capital (WACC, which includes risk-free return rate, volatility and risk premium), etc. and assessing the previous operating conditions, the conditions of industrial environment and future outlook. In addition, (ii) we assessed the audit procedure designed by other Certified Public Accountants according to related auditing standards and that the related information was disclosed in the notes to the consolidated financial statements properly.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance including the Audit committee are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mei, Yuan-Chen and Hsu, Yu-Feng.

KPMG

Taipei, Taiwan (R.O.C)

March 15, 2023

#### Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

|                            |   | December 31, 2022 |           | December 31, 2021 |           |                                 |  | December 31, 2022    |            | December 31, 2021    |            |
|----------------------------|---|-------------------|-----------|-------------------|-----------|---------------------------------|--|----------------------|------------|----------------------|------------|
|                            |   | Amount            | %         | Amount            | %         |                                 |  | Amount               | %          | Amount               | %          |
| <b>Assets</b>              |   |                   |           |                   |           | <b>Liabilities and Equity</b>   |  |                      |            |                      |            |
| <b>Current assets:</b>     |   |                   |           |                   |           | <b>Current liabilities:</b>     |  |                      |            |                      |            |
| 1100                       | Cash and cash equivalents (note 6(a))   | \$ 3,595,681      | 20        | 2,701,648         | 17        | 2100                            | Short-term borrowings (note 6(k))  | \$ 1,466,515         | 8          | 921,426              | 6          |
| 1110                       | Current financial assets at fair value through profit or loss (note 6(b))                 | 1,798             | -         | 155,067           | 1         | 2120                            | Current financial liabilities at fair value through profit or loss (note 6(b)) | 2,392                | -          | 563                  | -          |
| 1150                       | Notes receivable, net (note 6(c))   | 588               | -         | 751               | -         | 2150                            | Notes payable  | -                    | -          | 1,607                | -          |
| 1170                       | Accounts receivable, net (note 6(c))  | 3,015,880         | 17        | 2,950,815         | 19        | 2170                            | Accounts payable   | 1,648,557            | 9          | 1,673,549            | 10         |
| 1200                       | Other receivables   | 105,789           | 1         | 63,284            | -         | 2200                            | Other payables (note 6(m))   | 1,065,266            | 6          | 883,040              | 6          |
| 1220                       | Current tax assets  | 409               | -         | 929               | -         | 2230                            | Current tax liabilities  | 415,066              | 2          | 412,838              | 3          |
| 130X                       | Inventories (note 6(d))   | 3,500,033         | 19        | 2,444,825         | 15        | 2322                            | Long-term borrowings, current portion (note 6(l))                              | 322,349              | 2          | 65,000               | -          |
| 1410                       | Prepayments   | 251,545           | 1         | 177,271           | 1         | 2280                            | Lease liabilities, current (note 6(n))   | 106,012              | -          | 113,331              | 1          |
| 1476                       | Other current financial assets (note 6(b))  | 599,488           | 3         | 373,584           | 2         | 2399                            | Other current liabilities  | 325,900              | 2          | 232,681              | 1          |
|                            |   | <u>11,071,211</u> | <u>61</u> | <u>8,868,174</u>  | <u>55</u> |                                 |  | <u>5,352,057</u>     | <u>29</u>  | <u>4,304,035</u>     | <u>27</u>  |
| <b>Non-current assets:</b> |   |                   |           |                   |           | <b>Non-Current liabilities:</b> |  |                      |            |                      |            |
| 1517                       | Non-current financial assets at fair value through other comprehensive income (note 6(b)) | 4,157             | -         | -                 | -         | 2540                            | Long-term borrowings (note 6(l))   | 1,084,391            | 6          | 1,484,310            | 10         |
| 1600                       | Property, plant and equipment (note 6(f))   | 4,483,033         | 25        | 4,501,135         | 28        | 2580                            | Lease liabilities non-current (note 6(n))                                      | 123,214              | 1          | 190,820              | 1          |
| 1755                       | Right-of-use assets (note 6(g))   | 229,239           | 1         | 280,665           | 2         | 2640                            | Net defined benefit liabilities, non-current (note 6(o))                       | 35,000               | -          | 42,788               | -          |
| 1822                       | Intangible assets (note 6(h))   | 308,413           | 2         | 388,016           | 3         | 2570                            | Deferred tax liabilities (note 6(p))   | 825,106              | 5          | 684,722              | 4          |
| 1805                       | Goodwill (note 6(i))  | 1,136,565         | 6         | 1,024,426         | 6         | 2670                            | Other non-current liabilities  | 71,568               | -          | 51,787               | -          |
| 1840                       | Deferred tax assets (note 6(p))   | 458,165           | 3         | 456,197           | 3         |                                 |  | <u>2,139,279</u>     | <u>12</u>  | <u>2,454,427</u>     | <u>15</u>  |
| 1980                       | Other non-current financial assets (note 6(b))  | 83,020            | -         | 71,583            | -         |                                 |  | <u>7,491,336</u>     | <u>41</u>  | <u>6,758,462</u>     | <u>42</u>  |
| 1990                       | Other non-current assets (note 6(j))  | 443,016           | 2         | 395,775           | 3         |                                 |  |                      |            |                      |            |
|                            |   | <u>7,145,608</u>  | <u>39</u> | <u>7,117,797</u>  | <u>45</u> |                                 |  |                      |            |                      |            |
|                            |   |                   |           |                   |           |                                 | <b>Total liabilities</b>   |                      |            |                      |            |
|                            |   |                   |           |                   |           |                                 | <b>Stockholder' equity attributable to parent:</b>                             |                      |            |                      |            |
|                            |   |                   |           |                   |           |                                 | (note 6(q))  |                      |            |                      |            |
|                            |   |                   |           |                   |           | 3110                            | Common stock   | 2,634,854            | 14         | 2,650,854            | 17         |
|                            |   |                   |           |                   |           | 3200                            | Capital surplus  | 2,137,088            | 12         | 2,166,799            | 14         |
|                            |   |                   |           |                   |           | 3300                            | Retained earnings  | 4,155,591            | 23         | 3,247,117            | 20         |
|                            |   |                   |           |                   |           | 3400                            | Other stockholders' equity   | (359,558)            | (2)        | (531,125)            | (4)        |
|                            |   |                   |           |                   |           | 3500                            | Treasury shares  | (506,043)            | (3)        | (506,990)            | (3)        |
|                            |   |                   |           |                   |           |                                 |  | <u>8,061,932</u>     | <u>44</u>  | <u>7,026,655</u>     | <u>44</u>  |
|                            |   |                   |           |                   |           |                                 | <b>Total equity attributable to owners of parent</b>                           |                      |            |                      |            |
|                            |   |                   |           |                   |           | 36XX                            | Non-controlling interests (note 6(e))  | 2,663,551            | 15         | 2,200,854            | 14         |
|                            |   |                   |           |                   |           |                                 |  | <u>10,725,483</u>    | <u>59</u>  | <u>9,227,509</u>     | <u>58</u>  |
|                            |   |                   |           |                   |           |                                 | <b>Total equity</b>  |                      |            |                      |            |
|                            |   |                   |           |                   |           |                                 |  | <u>\$ 18,216,819</u> | <u>100</u> | <u>\$ 15,985,971</u> | <u>100</u> |
|                            |   |                   |           |                   |           |                                 | <b>Total liabilities and equity</b>  |                      |            |                      |            |
|                            |   |                   |           |                   |           |                                 |  | <u>\$ 18,216,819</u> | <u>100</u> | <u>\$ 15,985,971</u> | <u>100</u> |
|                            |   |                   |           |                   |           |                                 |  |                      |            |                      |            |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

|      |  | <u>2022</u>         |           | <u>2021</u>      |            |
|------|--|---------------------|-----------|------------------|------------|
|      |  | <u>Amount</u>       | <u>%</u>  | <u>Amount</u>    | <u>%</u>   |
| 4110 | Total sales revenue (note 6(s))  | \$16,442,867        | 105       | 13,612,887       | 103        |
| 4190 | Less: Sales discounts and allowances   | <u>755,733</u>      | <u>5</u>  | <u>435,470</u>   | <u>3</u>   |
|      | <b>Net operating revenues</b>  | 15,687,134          | 100       | 13,177,417       | 100        |
| 5000 | Cost of goods sold (note 6(d))   | <u>10,337,968</u>   | <u>66</u> | <u>9,049,696</u> | <u>69</u>  |
|      | <b>Gross profit</b>  | <u>5,349,166</u>    | <u>34</u> | <u>4,127,721</u> | <u>31</u>  |
| 6000 | <b>Operating expenses (notes 6(o) and (u)):</b>  |                     |           |                  |            |
| 6100 | Selling expenses   | 1,296,411           | 8         | 1,175,935        | 9          |
| 6200 | Administrative expenses  | 906,846             | 6         | 726,018          | 5          |
| 6300 | Research and development expenses  | <u>355,388</u>      | <u>2</u>  | <u>316,861</u>   | <u>2</u>   |
|      |  | <u>2,558,645</u>    | <u>16</u> | <u>2,218,814</u> | <u>16</u>  |
|      | <b>Operating income</b>  | <u>2,790,521</u>    | <u>18</u> | <u>1,908,907</u> | <u>15</u>  |
|      | <b>Non-operating income and expenses (note 6(t)):</b>  |                     |           |                  |            |
| 7100 | Interest income  | 19,892              | -         | 14,541           | -          |
| 7010 | Other income   | 46,025              | -         | 46,312           | -          |
| 7020 | Other gains and losses   | 197,944             | 1         | 10,864           | -          |
| 7050 | Finance costs  | <u>(40,452)</u>     | <u>-</u>  | <u>(32,992)</u>  | <u>-</u>   |
|      |  | <u>223,409</u>      | <u>1</u>  | <u>38,725</u>    | <u>-</u>   |
|      | <b>Profit before tax</b>   | 3,013,930           | 19        | 1,947,632        | 15         |
| 7950 | Less: Income tax expenses (note 6(p))  | <u>837,015</u>      | <u>5</u>  | <u>565,737</u>   | <u>4</u>   |
|      | <b>Profit</b>  | <u>2,176,915</u>    | <u>14</u> | <u>1,381,895</u> | <u>11</u>  |
| 8300 | <b>Other comprehensive income:</b>   |                     |           |                  |            |
| 8310 | <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>         |                     |           |                  |            |
| 8311 | Gains (losses) on remeasurements of defined benefit plans  | 7,368               | -         | (1,771)          | -          |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | <u>-</u>            | <u>-</u>  | <u>-</u>         | <u>-</u>   |
|      |  | <u>7,368</u>        | <u>-</u>  | <u>(1,771)</u>   | <u>-</u>   |
| 8360 | <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>             |                     |           |                  |            |
| 8361 | Exchange differences on translation of foreign financial statements  | 341,796             | 2         | (125,433)        | (1)        |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss     | <u>(48,006)</u>     | <u>-</u>  | <u>15,123</u>    | <u>-</u>   |
|      |  | <u>293,790</u>      | <u>2</u>  | <u>(110,310)</u> | <u>(1)</u> |
| 8300 | <b>Other comprehensive income (after tax)</b>  | <u>301,158</u>      | <u>2</u>  | <u>(112,081)</u> | <u>(1)</u> |
|      | <b>Comprehensive income</b>  | <u>\$ 2,478,073</u> | <u>16</u> | <u>1,269,814</u> | <u>10</u>  |
|      | <b>Net income attributable to:</b>   |                     |           |                  |            |
|      | Owners of the parent   | \$ 1,562,887        | 10        | 882,805          | 7          |
|      | Non-controlling interests (note 6(e))  | <u>614,028</u>      | <u>4</u>  | <u>499,090</u>   | <u>4</u>   |
|      |  | <u>\$ 2,176,915</u> | <u>14</u> | <u>1,381,895</u> | <u>11</u>  |
|      | <b>Comprehensive income attributable to:</b>   |                     |           |                  |            |
|      | Owners of the parent   | \$ 1,738,755        | 11        | 809,542          | 6          |
|      | Non-controlling interests (note 6(e))  | <u>739,318</u>      | <u>5</u>  | <u>460,272</u>   | <u>4</u>   |
|      |  | <u>\$ 2,478,073</u> | <u>16</u> | <u>1,269,814</u> | <u>10</u>  |
|      | <b>Basic earnings per common share (NT dollars) (note 6(v))</b>  | <u>\$ 6.28</u>      |           | <u>3.55</u>      |            |
|      | <b>Diluted earnings per common share (NT dollars) (note 6(v))</b>  | <u>\$ 6.23</u>      |           | <u>3.52</u>      |            |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

|  | Equity attributable to owners of parent |                                    |                 |                   |                 |                                  |                         | Total other equity interest   |                 | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
|--|---|------------------------------------|-----------------|-------------------|-----------------|----------------------------------|-------------------------|---|-----------------|---|---------------------------|--------------|
|  | Share capital                           |                                    |                 | Retained earnings |                 |                                  |                         | Exchange differences on translation of foreign financial statements | Treasury shares |   |                           |              |
|  | Ordinary shares                         | Advance receipts for share capital | Capital surplus | Legal reserve     | Special reserve | Unappropriated retained earnings | Total retained earnings |   |                 |   |                           |              |
| <b>Balance at January 1, 2021</b>  | \$ 2,494,539                            | 22,196                             | 1,516,265       | 830,920           | 445,618         | 1,484,440                        | 2,760,978               | (459,300)   | (506,990)       | 5,827,688                                     | 2,020,901                 | 7,848,589    |
| Net income   | -                                       | -                                  | -               | -                 | -               | 882,805                          | 882,805                 | -   | -               | 882,805                                       | 499,090                   | 1,381,895    |
| Other comprehensive income   | -                                       | -                                  | -               | -                 | -               | (1,438)                          | (1,438)                 | (71,825)  | -               | (73,263)                                      | (38,818)                  | (112,081)    |
| Total comprehensive income   | -                                       | -                                  | -               | -                 | -               | 881,367                          | 881,367                 | (71,825)  | -               | 809,542                                       | 460,272                   | 1,269,814    |
| Conversion of convertible bonds  | 156,315                                 | (22,196)                           | 604,864         | -                 | -               | -                                | -                       | -   | -               | 738,983                                       | -                         | 738,983      |
| Appropriation and distribution of retained earnings:                                 |   |                                    |                 |                   |                 |                                  |                         |   |                 |   |                           |              |
| Provision of legal reserve   | -                                       | -                                  | -               | 53,967            | -               | (53,967)                         | -                       | -   | -               | -   | -                         | -            |
| Provision of special reserve   | -                                       | -                                  | -               | -                 | 13,682          | (13,682)                         | -                       | -   | -               | -   | -                         | -            |
| Cash dividends   | -                                       | -                                  | -               | -                 | -               | (395,228)                        | (395,228)               | -   | -               | (395,228)                                     | -                         | (395,228)    |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | -                                       | -                                  | 20,400          | -                 | -               | -                                | -                       | -   | -               | 20,400  | -                         | 20,400       |
| Changes in equity of affiliate accounted for using equity method                     | -                                       | -                                  | 25,270          | -                 | -               | -                                | -                       | -   | -               | 25,270  | -                         | 25,270       |
| Changes in non-controlling interests   | -                                       | -                                  | -               | -                 | -               | -                                | -                       | -   | -               | -   | (280,319)                 | (280,319)    |
| <b>Balance at December 31, 2021</b>  | 2,650,854                               | -                                  | 2,166,799       | 884,887           | 459,300         | 1,902,930                        | 3,247,117               | (531,125)   | (506,990)       | 7,026,655                                     | 2,200,854                 | 9,227,509    |
| Net income   | -                                       | -                                  | -               | -                 | -               | 1,562,887                        | 1,562,887               | -   | -               | 1,562,887                                     | 614,028                   | 2,176,915    |
| Other comprehensive income   | -                                       | -                                  | -               | -                 | -               | 4,301                            | 4,301                   | 171,567   | -               | 175,868                                       | 125,290                   | 301,158      |
| Total comprehensive income   | -                                       | -                                  | -               | -                 | -               | 1,567,188                        | 1,567,188               | 171,567   | -               | 1,738,755                                     | 739,318                   | 2,478,073    |
| Retirement of treasury shares  | (16,000)                                | -                                  | (69,482)        | -                 | -               | -                                | -                       | -   | 85,482          | -   | -                         | -            |
| Subsidiaries purchase of treasury shares   | -                                       | -                                  | -               | -                 | -               | -                                | -                       | -   | (84,535)        | (84,535)                                      | -                         | (84,535)     |
| Appropriation and distribution of retained earnings:                                 |   |                                    |                 |                   |                 |                                  |                         |   |                 |   |                           |              |
| Provision of legal reserve   | -                                       | -                                  | -               | 88,137            | -               | (88,137)                         | -                       | -   | -               | -   | -                         | -            |
| Provision of special reserve   | -                                       | -                                  | -               | -                 | 71,825          | (71,825)                         | -                       | -   | -               | -   | -                         | -            |
| Cash dividends   | -                                       | -                                  | -               | -                 | -               | (658,714)                        | (658,714)               | -   | -               | (658,714)                                     | -                         | (658,714)    |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | -                                       | -                                  | 37,000          | -                 | -               | -                                | -                       | -   | -               | 37,000  | -                         | 37,000       |
| Changes in equity of affiliate accounted for using equity method                     | -                                       | -                                  | 2,771           | -                 | -               | -                                | -                       | -   | -               | 2,771   | -                         | 2,771        |
| Changes in non-controlling interests   | -                                       | -                                  | -               | -                 | -               | -                                | -                       | -   | -               | -   | (276,621)                 | (276,621)    |
| <b>Balance at December 31, 2022</b>  | \$ 2,634,854                            | -                                  | 2,137,088       | 973,024           | 531,125         | 2,651,442                        | 4,155,591               | (359,558)   | (506,043)       | 8,061,932                                     | 2,663,551                 | 10,725,483   |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

|   | 2022                | 2021               |
|---|---------------------|--------------------|
| <b>Cash flows from (used in) operating activities:</b>                                  |                     |                    |
| Profit before tax   | \$ 3,013,930        | 1,947,632          |
| <b>Adjustments:</b>   |                     |                    |
| <b>Adjustments to reconcile profit (loss):</b>  |                     |                    |
| Depreciation expense  | 790,180             | 732,723            |
| Amortization expense  | 140,791             | 123,565            |
| Expected credit loss  | 1,380               | 9,563              |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | 51,151              | (8,726)            |
| Interest expense  | 38,330              | 30,911             |
| Interest income   | (19,892)            | (14,541)           |
| Loss on disposal of property, plant and equipment                                       | 4,840               | 3,601              |
| Reversal of impairment (gain) or loss on non-financial assets                           | (595)               | 2,701              |
| Others  | 2,771               | 25,270             |
| <b>Total adjustments to reconcile profit (loss)</b>                                     | <u>1,008,956</u>    | <u>905,067</u>     |
| <b>Changes in operating assets and liabilities:</b>                                     |                     |                    |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | 103,947             | (143,918)          |
| (Increase) decrease in notes receivable   | 163                 | (565)              |
| Increase in accounts receivable   | (66,445)            | (591,627)          |
| Increase in other receivables   | (42,049)            | (15,396)           |
| Increase in inventories   | (1,055,208)         | (644,378)          |
| Increase in prepayments   | (92,899)            | (7,114)            |
| (Increase) decrease in other financial assets   | (225,904)           | 108,236            |
| Decrease in notes payable   | (1,607)             | (45)               |
| Increase (decrease) in accounts payable   | (24,992)            | 502,115            |
| Increase in other payable   | 181,589             | 248,737            |
| Increase in other current liabilities   | 92,684              | 93,849             |
| Decrease in net defined benefit liabilities   | (7,788)             | (2,459)            |
| Increase in other non-current liabilities   | 17,577              | 5,253              |
| <b>Total adjustments</b>  | <u>(111,976)</u>    | <u>457,755</u>     |
| Cash inflow generated from operations   | 2,901,954           | 2,405,387          |
| Interest received   | 19,436              | 14,559             |
| Interest paid   | (28,454)            | (18,424)           |
| Income taxes paid   | (695,851)           | (409,095)          |
| <b>Net cash flows from operating activities</b>   | <u>2,197,085</u>    | <u>1,992,427</u>   |
| <b>Cash flows from (used in) investing activities:</b>                                  |                     |                    |
| Acquisition of financial assets at fair value through other comprehensive income        | (4,157)             | -                  |
| Acquisition of property, plant and equipment  | (526,957)           | (525,777)          |
| Proceeds from disposal of property, plant and equipment                                 | 5,531               | 2,421              |
| Increase in other financial assets  | (11,437)            | (3,979)            |
| Acquisition of intangible assets  | (35,317)            | (26,639)           |
| Increase in other non-current assets  | (27,074)            | (45,846)           |
| Increase in prepayments for equipment   | (92,105)            | (156,963)          |
| <b>Net cash flows used in investing activities</b>                                      | <u>(691,516)</u>    | <u>(756,783)</u>   |
| <b>Cash flows from (used in) financing activities:</b>                                  |                     |                    |
| Increase (decrease) in short-term borrowings  | 545,089             | (480,528)          |
| Repayments of convertible bonds   | -                   | (41,900)           |
| Proceeds from long-term borrowings  | 419,320             | 679,760            |
| Repayments of long-term borrowings  | (561,890)           | (430,000)          |
| Decrease in guarantee deposits received   | (130)               | (35)               |
| Payment of lease liabilities  | (127,258)           | (86,168)           |
| Cash dividends paid   | (621,714)           | (374,828)          |
| Repurchase of treasury shares   | (84,535)            | -                  |
| Change in non-controlling interests   | (276,621)           | (280,319)          |
| <b>Net cash flows used in financing activities</b>                                      | <u>(707,739)</u>    | <u>(1,014,018)</u> |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                     | <u>96,203</u>       | <u>(83,648)</u>    |
| <b>Net increase in cash and cash equivalents</b>  | <u>894,033</u>      | <u>137,978</u>     |
| <b>Cash and cash equivalents at the beginning of period</b>                             | <u>2,701,648</u>    | <u>2,563,670</u>   |
| <b>Cash and cash equivalents at the end of period</b>                                   | <u>\$ 3,595,681</u> | <u>2,701,648</u>   |

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

TAIWAN SEMICONDUCTOR CO., LTD. (“the Company”) was incorporated in January 1979 under the Company Act of the Republic of China. Its major business activities are the manufacture and sale of rectifiers and bar code printers. The Company’s common stock has been officially listed and traded on the GreTai Securities Market starting from February 2000.

In order to improve operating efficiency and industry competitiveness from specialization, the Company restructured its business and organization. The Company separated its bar code printer business unit from itself and transferred it to establish TSC Auto ID Technology Co., Ltd. (TSC Auto ID). The Board of Directors’ meeting approved August 1, 2007, as the date of record of the split.

The Company and its subsidiaries are referred to as the Group, who engages in the manufacture and sale of rectifiers and auto identification systems, as well as product manufacturing and services.

**(2) Approval date and procedures of the consolidated financial statements:**

These consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2023.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income (Available-for-sale financial assets )are measured at fair value;
- 3) The defined benefit liabilities are measured at present value of the defined benefit obligation less the fair value of the plan assets.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Group's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

| Name of Investor | Name of subsidiary                                 | Principal activity                                     | Shareholding      |                   |
|------------------|--|--|-------------------|-------------------|
|                  |  |  | December 31, 2022 | December 31, 2021 |
| The Company      | Ever Energetic Int'l Ltd. (Ever Energetic)         | Holding company and general import and export business | 100.00 %          | 100.00 %          |
| The Company      | Ever Winner Int'l Co., Ltd. (Ever Winner)          | Holding company and general import and export business | 100.00 %          | 100.00 %          |
| The Company      | Skyrise Int'l Ltd. (Skyrise)                       | Holding company and general import and export business | 100.00 %          | 100.00 %          |
| The Company      | Taiwan Semiconductor Europe GmbH (TSCE)            | General import and export business                     | 100.00 %          | 100.00 %          |
| The Company      | Taiwan Semiconductor Japan Ltd. (TSCJ)             | Trading of rectifiers                                  | 100.00 %          | 100.00 %          |
| The Company      | Taiwan Semiconductor (H.K.) Co., Ltd. (TSCH)       | Holding company and trading of rectifiers              | 25.22 %           | 25.22 %           |
| The Company      | TSC Auto ID Technology Co., Ltd. (TSC Auto ID)     | Manufacture and sale of bar code printers              | 36.35 %           | 36.38 %           |
| Ever Energetic   | TSCH   | Holding company and trading of rectifiers              | 36.96 %           | 36.96 %           |
| Ever Energetic   | TSC America, Inc.(TSCA)                            | Trading of rectifiers                                  | 75.00 %           | 75.00 %           |
| Ever Winner      | TSCH   | Holding company and trading of rectifiers              | 37.82 %           | 37.82 %           |
| Ever Winner      | TSCA   | Trading of rectifiers                                  | 25.00 %           | 25.00 %           |
| Ever Winner      | Shanghai Great Technology Trading Co., Ltd. (TSCC) | Trading of rectifiers                                  | 100.00 %          | 100.00 %          |

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

| Name of Investor      | Name of subsidiary                                       | Principal activity   | Shareholding      |                   |
|-----------------------|--|--|-------------------|-------------------|
|                       |  |  | December 31, 2022 | December 31, 2021 |
| TSCH                  | Yangxin Everwell Electronic Co., Ltd. (Yangxin Everwell) | Manufacture and sale of rectifiers   | 100.00 %          | 100.00 %          |
| TSCH                  | Tianjin Everwell Technology Co., Ltd. (Tianjin Everwell) | Manufacture and sale of wafers   | 100.00 %          | 100.00 %          |
| TSC Auto ID           | TSC Auto ID Technology EMEA GmbH (TSCAE)                 | Trading of bar code printers and other parts                                       | 100.00 %          | 100.00 %          |
| TSC Auto ID           | TSC Auto ID (H.K.) Ltd. (TSC HK)                         | Holding company and general import and export business                             | 100.00 %          | 100.00 %          |
| TSC Auto ID           | TSC Auto Technology America Inc. (TSCAA)                 | Trading of bar code printers and other parts                                       | 100.00 %          | 100.00 %          |
| TSC Auto ID           | Printronix Auto ID Technology Co., Ltd. (Printronix AD)  | Trading of bar code printers and other parts                                       | 100.00 %          | 100.00 %          |
| TSC Auto ID and TSCAA | Printronix Auto ID Technology Inc. (PTNX US)             | Trading of bar code printers and other parts                                       | -                 | 100.00 %          |
| TSC Auto ID           | Diversified Labeling Solutions, Inc. (DLS)               | Customization of design, integration and marketing of label papers and other parts | 100.00 %          | 100.00 %          |
| TSC Auto ID           | TSC Auto ID Technology India Private limited (TSCIN)     | Trading of bar code printers and other parts                                       | 100.00 %          | 100.00 %          |
| TSCAE                 | TSC Auto ID Technology ME, Ltd. FZE (TSCAD)              | Trading of bar code printers and other parts                                       | 100.00 %          | 100.00 %          |
| TSCAE                 | TSC Auto ID Technology Spain, S.L. (TSCAS)               | Trading of bar code printers and other parts                                       | 100.00 %          | 100.00 %          |
| TSC HK                | Tianjin TSC Auto ID Technology Co., Ltd. (TTSC)          | Manufacture and sale of bar code printers and other parts                          | 100.00 %          | 100.00 %          |
| TSC HK                | Shenzhen Printronix Auto ID Technology Co., Ltd. (SPTNX) | Sale of bar code printers and other parts  | 100.00 %          | 100.00 %          |
| DLS                   | Precision Press & Label, Inc. (PPL)                      | Sale of bar code printers, label papers, other parts                               | 100.00 %          | 100.00 %          |

(iii) Unlisted subsidiaries in the consolidated financial statements: None.

(iv) Due to simplify the organizational structure and improvement in operating efficiency of the Group, TSC Auto ID transferred its 5% ownership interest in its sub-subsidiary, PTNX US, at the amount of US\$1,620 thousand, to its subsidiary in the U.S., TSCAA, in order to merge and eliminate PTNX US, based on the resolution approved during the board meeting held on June 28, 2022. Upon the completion of the share transfer, the Board of Directors of TSC Auto ID resolved that July 1, 2022 shall be the record date for the merger, with PTNX US becoming a fully owned subsidiary of TSCAA thereafter and consolidation by merger into TSCAA. The nature of this merger is a restructuring under common control within the Group and does not affect the preparation of the consolidated financial statements; please refer to note 6(w).

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group's entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are retranslated into the functional currency at the exchange rate at that date.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other asset are classified as non-current.

- (i) It is expected to be realized, or intends to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled the liability in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and beneficiary certificates. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and

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## TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

(Continued)

## TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### 5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings and improvements: 5~56 years.
- 2) Machinery and equipment: 1~15 years.
- 3) Transportation equipment: 4~11 years.
- 4) Office equipment and others: 1~13 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities or short-term leases of transport and office equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(k) Intangible assets

(i) Goodwill

Goodwill acquired through acquisition of business and control is included in intangible assets. Please refer to note 6(i) for subsequent to initial recognition, it is measured at cost less accumulated impairment losses.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives 2~10 years of intangible assets, from the date that they are available for use.

Except for goodwill, the Group shall inspect the residual values, useful lives and amortization methods of the intangible assets at least once at each annual reporting date. If there are any changes to intangible assets, they will be regarded as changes in accounting estimate.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(m) Product warranty obligations

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(n) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

The related refund obligation of the Group based on the estimated sales award is separately recognized in the balance sheet.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(o) Government grants

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(q) Share-based payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the resting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
  - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
    - 1) the same taxable entity; or
    - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (s) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

The Group recognizes the acquisition-date fair value of the contingent consideration as part of the consideration transferred. The cost of the acquisition and measuring goodwill will retrospectively be adjusted when some changes in the fair value of contingent consideration that the Group recognizes have been made after the acquisition date. Measurement period adjustments is the result of additional information that the Group obtained after that date about facts and circumstances that existed at the acquisition date. The measurement period will not exceed one year from the acquisition date. The Group accounts for the changes in the fair value of contingent consideration that are not measurement period adjustments based on the classification of contingent consideration.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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Contingent consideration classified as equity will not be remeasured and its subsequent settlement will be accounted for within equity. Others will be measured at fair value at each reporting date and changes in fair value will be recognized in profit or loss or other comprehensive income.

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of Group). The segment's operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID19 pandemic.

(a) Assessment of impairment of trade receivable

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6 (c).

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

|                              | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|------------------------------|------------------------------|------------------------------|
| Cash and pretty cash         | \$ 476                       | 535                          |
| Checking and demand deposits | 2,507,863                    | 2,209,699                    |
| Time deposits                | 587,342                      | 491,414                      |
| Repurchase agreement         | <u>500,000</u>               | <u>-</u>                     |
|                              | <u><b>\$ 3,595,681</b></u>   | <u><b>2,701,648</b></u>      |

Please refer to note 6(x) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities at fair value through profit or loss

(i) The financial instruments held by the Group were as follows:

|  | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|--|------------------------------|------------------------------|
| Current:   |                              |                              |
| Mandatorily measured at fair value through profit or loss: |                              |                              |
| Beneficiary certificates                                   | \$ -                         | 150,032                      |
| Forward exchange contracts                                 | -                            | 3,458                        |
| Currency swaps   | <u>1,798</u>                 | <u>1,577</u>                 |
|  | <u><b>\$ 1,798</b></u>       | <u><b>155,067</b></u>        |
| Other financial assets:                                    |                              |                              |
| Structure time deposits                                    | <u><b>\$ 599,488</b></u>     | <u><b>373,584</b></u>        |
| Non-current:   |                              |                              |
| Measured at fair value through other comprehensive income: |                              |                              |
| Fund in foreign markets                                    | <u><b>\$ 4,157</b></u>       | <u>-</u>                     |
| Other financial assets:                                    |                              |                              |
| Refundable deposits  | <u><b>\$ 83,020</b></u>      | <u><b>71,583</b></u>         |
| Current:   |                              |                              |
| Mandatorily measured at fair value through profit or loss: |                              |                              |
| Forward exchange contracts                                 | \$ 844                       | 234                          |
| Currency swaps   | <u>1,548</u>                 | <u>329</u>                   |
|  | <u><b>\$ 2,392</b></u>       | <u><b>563</b></u>            |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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Please refer to note 6(x) for the disclosures of credit risk exposures, currency risk exposures, and interest rate risk exposures.

- (ii) The Group uses derivative financial instruments to hedge certain foreign exchange exposures arising from its operating activities. The Group held the following derivative financial instruments presented as held-for-trading financial assets (liabilities):

| <b>December 31, 2022</b> |     |                        |         |                 |                        |
|--------------------------|-----|------------------------|---------|-----------------|------------------------|
|                          |     | <b>Contract amount</b> |         | <b>Currency</b> | <b>Contract period</b> |
| Selling/buying forward   | EUR | 500 / USD              | 521     | EUR to USD      | 2023.02.17             |
| Selling/buying forward   | USD | 2,000 / NTD            | 60,718  | USD to NTD      | 2023.02.17             |
| Currency swaps           | USD | 7,200 / NTD            | 219,593 | USD to NTD      | 2023.02~2023.05        |
| <b>December 31, 2021</b> |     |                        |         |                 |                        |
|                          |     | <b>Contract amount</b> |         | <b>Currency</b> | <b>Contract period</b> |
| Selling/buying forward   | USD | 6,000 / CNY            | 38,720  | USD to CNY      | 2022.01~2022.02        |
| Selling/buying forward   | EUR | 5,000 / NTD            | 157,122 | EUR to NTD      | 2022.01~2022.02        |
| Selling/buying forward   | USD | 12,000 / NTD           | 333,179 | USD to NTD      | 2022.01~2022.04        |
| Currency swaps           | USD | 7,000 / NTD            | 195,410 | USD to NTD      | 2022.01~2022.03        |
| Currency swaps           | NTD | 83,394 / USD           | 3,000   | NTD to USD      | 2022.01.20             |

- (iii) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for the long term strategic purposes.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022 and 2021.

- (c) Notes and accounts receivable

|                      | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|----------------------|------------------------------|------------------------------|
| Notes receivable     | \$ 588                       | 751                          |
| Accounts receivable  | 3,053,386                    | 2,990,245                    |
| Less: Loss allowance | (37,506)                     | (39,430)                     |
|                      | <b>\$ 3,016,468</b>          | <b>2,951,566</b>             |

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The loss allowance provision in Rectifiers was determined as follows:

|                             | <b>December 31, 2022</b>         |  |                                     |
|-----------------------------|----------------------------------|--|-------------------------------------|
|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Current                     | \$ 1,512,691                     | 1.13%                                      | 17,125                              |
| 1 to 90 days past due       | 165,665                          | 1.66%                                      | 2,758                               |
| 91 to 180 days past due     | 7,826                            | 3.16%                                      | 247                                 |
| 271 to 365 days past due    | 331                              | 63.44%                                     | 210                                 |
| More than 365 days past due | <u>52</u>                        | 100.00%                                    | <u>52</u>                           |
|                             | <b><u>\$ 1,686,565</u></b>       |  | <b><u>20,392</u></b>                |

|                          | <b>December 31, 2021</b>         |  |                                     |
|--------------------------|----------------------------------|--|-------------------------------------|
|                          | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Current                  | \$ 1,620,596                     | 0.90%                                      | 14,656                              |
| 1 to 90 days past due    | 73,698                           | 1.05%                                      | 787                                 |
| 91 to 180 days past due  | 2,070                            | 3.00%                                      | 62                                  |
| 181 to 270 days past due | 536                              | 5.00%                                      | 27                                  |
| 271~365 days past due    | <u>145</u>                       | 10.00%                                     | <u>14</u>                           |
|                          | <b><u>\$ 1,697,045</u></b>       |  | <b><u>15,546</u></b>                |

The loss allowance provision in Bar Code Printers was determined as follows:

|                             | <b>December 31, 2022</b>         |  |                                     |
|-----------------------------|----------------------------------|--|-------------------------------------|
|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Current                     | \$ 999,671                       | 0.55%                                      | 5,530                               |
| 1 to 90 days past due       | 339,761                          | 1.00%                                      | 1,880                               |
| 91 to 180 days past due     | 7,684                            | 3.00%                                      | 1,523                               |
| 181 to 270 days past due    | 2,186                            | 5.00%                                      | 60                                  |
| 271 to 365 days past due    | 6,537                            | 10.00%                                     | 362                                 |
| More than 365 days past due | <u>11,570</u>                    | 100.00%                                    | <u>7,759</u>                        |
|                             | <b><u>\$ 1,367,409</u></b>       |  | <b><u>17,114</u></b>                |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                             | <b>December 31, 2021</b>         |  |                                     |
|-----------------------------|----------------------------------|--|-------------------------------------|
|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Current                     | \$ 907,787                       | 1.27%                                      | 11,574                              |
| 1 to 90 days past due       | 321,569                          | 1.00%                                      | 3,216                               |
| 91 to 180 days past due     | 43,043                           | 3.00%                                      | 1,291                               |
| 181 to 270 days past due    | 6,954                            | 5.00%                                      | 348                                 |
| 271 to 365 days past due    | 7,937                            | 10.00%                                     | 794                                 |
| More than 365 days past due | 6,661                            | 100.00%                                    | 6,661                               |
|                             | <b>\$ 1,293,951</b>              |  | <b>23,884</b>                       |

The movement in the allowance for notes and trade receivable was as follows:

|                                       | <b>2022</b>      | <b>2021</b>   |
|---------------------------------------|------------------|---------------|
| Balance on January 1, 2022 and 2021   | \$ 39,430        | 30,564        |
| Impairment losses recognized          | 1,380            | 9,563         |
| Amounts written off                   | (4,519)          | (237)         |
| Foreign exchange gains (losses)       | 1,215            | (460)         |
| Balance on December 31, 2022 and 2021 | <b>\$ 37,506</b> | <b>39,430</b> |

As of December 31, 2022, and 2021, the Group does not regard as any collateral or discount for notes and trade receivable.

(d) Inventories

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|------------------------------|------------------------------|
| Finished goods                                   | \$ 1,828,781                 | 1,077,222                    |
| Less: provision for obsolescence and devaluation | (239,966)                    | (138,978)                    |
|  | 1,588,815                    | 938,244                      |
| Work in process                                  | 700,511                      | 513,459                      |
| Less: provision for obsolescence and devaluation | (64,436)                     | (51,076)                     |
|  | 636,075                      | 462,383                      |
| Raw material and supplies                        | 1,107,354                    | 926,460                      |
| Less: provision for obsolescence and devaluation | (45,450)                     | (31,811)                     |
|  | 1,061,904                    | 894,649                      |
| Inventories in transit                           | 213,239                      | 149,549                      |
|  | <b>\$ 3,500,033</b>          | <b>2,444,825</b>             |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sales amounted to \$10,200,728 thousand and \$8,952,596 thousand for the years ended December 31, 2022 and 2021, respectively.

During the years ended December 31, 2022 and 2021, the write-down of inventories to net realizable value amounting to \$137,240 thousand and \$97,100 thousand, respectively.

As of December 31, 2022, and 2021, the Group did not provide any inventories as collateral for its loans.

(e) The significant non-controlling interests of subsidiaries

The subsidiaries' non-controlling interests that have significant effect on the Group were as follows:

| Name of subsidiary                             | Country | Percentage of non-controlling interests on ownership interests and voting rights |                   |
|--|---------|--|-------------------|
|  |         | December 31, 2022  | December 31, 2021 |
| TSC Auto ID Technology Co., Ltd. (TSC Auto ID) | Taiwan  | 63.65 %  | 63.62 %           |

The financial statement of TSC Auto ID has been prepared in accordance with the IFRSs endorsed by the FSC. The summary of financial information for TSC Auto ID was as follows. This financial information is disclosed in the amounts before the elimination on transactions between the Group.

The summary of financial information:

|  | December 31, 2022   | December 31, 2021 |
|--|---------------------|-------------------|
| Current assets   | \$ 4,246,657        | 3,696,285         |
| Non-current assets   | 4,048,112           | 3,973,806         |
| Current liabilities  | (2,421,498)         | (2,200,537)       |
| Non-current liabilities  | (1,122,546)         | (1,381,411)       |
| Net assets   | <u>\$ 4,750,725</u> | <u>4,088,143</u>  |
| Non-controlling interests                                      | <u>\$ 2,663,551</u> | <u>2,200,854</u>  |
|  | <b>2022</b>         | <b>2021</b>       |
| Sales revenue  | <u>\$ 7,966,918</u> | <u>6,848,808</u>  |
| Net income   | 964,909             | 784,486           |
| Other comprehensive income                                     | 141,506             | 162,024           |
| Comprehensive income   | <u>\$ 1,106,415</u> | <u>946,510</u>    |
| Net income attributable to non-controlling interests           | <u>\$ 614,028</u>   | <u>499,090</u>    |
| Comprehensive income attributable to non-controlling interests | <u>\$ 739,318</u>   | <u>460,272</u>    |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | <b>2022</b>               | <b>2021</b>             |
|--|---------------------------|-------------------------|
| Cash flows from operating activities                         | \$ 652,129                | 951,823                 |
| Cash flows used in investing activities                      | (200,194)                 | (152,247)               |
| Cash flows used in financing activities                      | (558,626)                 | (887,675)               |
| Effect of exchange rate changes on cash and cash equivalents | 48,858                    | (19,961)                |
| Net decrease in cash and cash equivalents                    | <b><u>\$ (57,833)</u></b> | <b><u>(108,060)</u></b> |

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021, were as follows:

|   | <b>Land</b>              | <b>Building and construction</b> | <b>Machinery and equipment</b> | <b>Total</b>            |
|---|--------------------------|----------------------------------|--------------------------------|-------------------------|
| Cost or deemed cost:                          |                          |                                  |                                |                         |
| Balance at 1 January, 2022                    | \$ 861,426               | 1,452,797                        | 6,966,727                      | 9,280,950               |
| Additions                                     | -                        | 533                              | 526,424                        | 526,957                 |
| Sales of assets                               | -                        | -                                | (33,675)                       | (33,675)                |
| Disposals                                     | -                        | -                                | (72,342)                       | (72,342)                |
| Others (including capitalized interest)       | -                        | 3,840                            | 87,177                         | 91,017                  |
| Effect of movement in exchange rates          | -                        | 6,529                            | 103,345                        | 109,874                 |
| Balance at December 31, 2022                  | <b><u>\$ 861,426</u></b> | <b><u>1,463,699</u></b>          | <b><u>7,577,656</u></b>        | <b><u>9,902,781</u></b> |
| Balance at 1 January, 2021                    | \$ 861,426               | 1,456,824                        | 6,487,441                      | 8,805,691               |
| Additions                                     | -                        | 533                              | 525,244                        | 525,777                 |
| Sales of assets                               | -                        | (257)                            | (31,482)                       | (31,739)                |
| Disposals                                     | -                        | (868)                            | (48,346)                       | (49,214)                |
| Others (including capitalized interest)       | -                        | -                                | 70,706                         | 70,706                  |
| Effect of movement in exchange rates          | -                        | (3,435)                          | (36,835)                       | (40,270)                |
| Balance at December 31, 2021                  | <b><u>\$ 861,426</u></b> | <b><u>1,452,797</u></b>          | <b><u>6,966,728</u></b>        | <b><u>9,280,951</u></b> |
| Accumulated depreciation and impairment loss: |                          |                                  |                                |                         |
| Balance at 1 January, 2022                    | \$ -                     | 512,266                          | 4,267,550                      | 4,779,816               |
| Depreciation for the year                     | -                        | 44,162                           | 642,021                        | 686,183                 |
| Impairment gain                               | -                        | -                                | (595)                          | (595)                   |
| Sales of assets                               | -                        | -                                | (27,034)                       | (27,034)                |
| Disposals                                     | -                        | -                                | (68,612)                       | (68,612)                |
| Effect of movement in exchange rates          | -                        | 2,068                            | 47,922                         | 49,990                  |
| Balance at December 31, 2022                  | <b><u>\$ -</u></b>       | <b><u>558,496</u></b>            | <b><u>4,861,252</u></b>        | <b><u>5,419,748</u></b> |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                                      | <u>Land</u>       | <u>Building and<br/>construction</u> | <u>Machinery and<br/>equipment</u> | <u>Total</u>     |
|--------------------------------------|-------------------|--------------------------------------|------------------------------------|------------------|
| Balance at 1 January, 2021           | \$ -              | 470,524                              | 3,772,281                          | 4,242,805        |
| Depreciation for the year            | -                 | 43,818                               | 586,699                            | 630,517          |
| Impairment loss                      | -                 | -                                    | 2,701                              | 2,701            |
| Sales of assets                      | -                 | (257)                                | (28,322)                           | (28,579)         |
| Disposals                            | -                 | (781)                                | (45,571)                           | (46,352)         |
| Effect of movement in exchange rates | -                 | (1,038)                              | (20,238)                           | (21,276)         |
| Balance at December 31, 2021         | <u>\$ -</u>       | <u>512,266</u>                       | <u>4,267,550</u>                   | <u>4,779,816</u> |
| Carrying amount:                     |                   |                                      |                                    |                  |
| Balance at December 31, 2022         | <u>\$ 861,426</u> | <u>905,203</u>                       | <u>2,716,404</u>                   | <u>4,483,033</u> |
| Balance at January 1, 2021           | <u>\$ 861,426</u> | <u>986,300</u>                       | <u>2,715,160</u>                   | <u>4,562,886</u> |
| Balance at December 31, 2021         | <u>\$ 861,426</u> | <u>940,531</u>                       | <u>2,699,178</u>                   | <u>4,501,135</u> |

- (i) As of December 31, 2022, and 2021, the Group did not provide any the property, plant and equipment as collateral for its loans.
- (ii) The Company's interest capitalized for purchasing property, plant, and equipment for the years ended December 31, 2022, and 2021 were \$453 thousand and \$1,472 thousand, respectively, at a rate of 1.50% and 3.00%.

(g) Right-of-use assets

The Group leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group as a lessee is presented below:

|                                      | <u>Land</u>      | <u>Building and<br/>construction</u> | <u>Machinery and<br/>equipment</u> | <u>Total</u>   |
|--------------------------------------|------------------|--------------------------------------|------------------------------------|----------------|
| Cost:                                |                  |                                      |                                    |                |
| Balance at January 1, 2022           | \$ 17,745        | 557,808                              | 16,844                             | 592,397        |
| Additions                            | -                | 30,408                               | 2,921                              | 33,329         |
| Disposal/Write-off                   | -                | (35,175)                             | (113)                              | (35,288)       |
| Effect of movement in exchange rates | 261              | 25,099                               | 233                                | 25,593         |
| Balance at December 31, 2022         | <u>\$ 18,006</u> | <u>578,140</u>                       | <u>19,885</u>                      | <u>616,031</u> |
| Balance at January 1, 2021           | \$ 17,880        | 482,654                              | 14,408                             | 514,942        |
| Additions                            | -                | 84,496                               | 2,960                              | 87,456         |
| Disposal/Write-off                   | -                | (298)                                | -                                  | (298)          |
| Effect of movement in exchange rates | (135)            | (9,044)                              | (524)                              | (9,703)        |
| Balance at December 31, 2021         | <u>\$ 17,745</u> | <u>557,808</u>                       | <u>16,844</u>                      | <u>592,397</u> |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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|                                      | <u>Land</u>     | <u>Building and<br/>construction</u> | <u>Machinery and<br/>equipment</u> | <u>Total</u>   |
|--------------------------------------|-----------------|--------------------------------------|------------------------------------|----------------|
| Accumulated depreciation:            |                 |                                      |                                    |                |
| Balance at January 1, 2022           | \$ 8,931        | 290,831                              | 11,970                             | 311,732        |
| Depreciation for the year            | 361             | 99,912                               | 3,724                              | 103,997        |
| Disposal/Write-off                   | -               | (32,033)                             | -                                  | (32,033)       |
| Effect of movement in exchange rates | 131             | 2,965                                | -                                  | 3,096          |
| Balance at December 31, 2022         | <u>\$ 9,423</u> | <u>361,675</u>                       | <u>15,694</u>                      | <u>386,792</u> |
| Balance at January 1, 2021           | \$ 8,642        | 194,440                              | 7,899                              | 210,981        |
| Depreciation for the year            | 354             | 97,781                               | 4,071                              | 102,206        |
| Effect of movement in exchange rates | (65)            | (1,390)                              | -                                  | (1,455)        |
| Balance at December 31, 2021         | <u>\$ 8,931</u> | <u>290,831</u>                       | <u>11,970</u>                      | <u>311,732</u> |
| Carrying amount:                     |                 |                                      |                                    |                |
| Balance at December 31, 2022         | <u>\$ 8,583</u> | <u>216,465</u>                       | <u>4,191</u>                       | <u>229,239</u> |
| Balance at January 1, 2021           | <u>\$ 9,238</u> | <u>288,214</u>                       | <u>6,509</u>                       | <u>303,961</u> |
| Balance at December 31, 2021         | <u>\$ 8,814</u> | <u>266,977</u>                       | <u>4,874</u>                       | <u>280,665</u> |

(h) Intangible assets

The cost, amortization of the intangible assets of the Group for the years ended December 31, 2022 and 2021, were as follows:

|   | <u>Acquired<br/>special<br/>technology</u> | <u>Customer<br/>relationship</u> | <u>Patent</u> | <u>Software</u> | <u>Trademarks<br/>rights</u> | <u>Total</u>     |
|---|--|----------------------------------|---------------|-----------------|------------------------------|------------------|
| Cost:                                   |  |                                  |               |                 |                              |                  |
| Balance at January 1, 2022              | \$ 139,729                                 | 408,751                          | 50,607        | 307,639         | 12,342                       | 919,068          |
| Additions                               | -  | -                                | -             | 35,317          | -                            | 35,317           |
| Others (including capitalized interest) | -  | -                                | -             | 1,284           | -                            | 1,284            |
| Effect of movement in exchange rates    | 13,938                                     | 44,745                           | -             | 891             | 1,336                        | 60,910           |
| Balance at December 31, 2022            | <u>\$ 153,667</u>                          | <u>453,496</u>                   | <u>50,607</u> | <u>345,131</u>  | <u>13,678</u>                | <u>1,016,579</u> |
| Balance at January 1, 2021              | \$ 143,409                                 | 420,564                          | 50,607        | 265,011         | 12,695                       | 892,286          |
| Additions                               | -  | -                                | -             | 26,639          | -                            | 26,639           |
| Others (including capitalized interest) | -  | -                                | -             | 16,578          | -                            | 16,578           |
| Effect of movement in exchange rates    | (3,680)                                    | (11,813)                         | -             | (589)           | (353)                        | (16,435)         |
| Balance at December 31, 2021            | <u>\$ 139,729</u>                          | <u>408,751</u>                   | <u>50,607</u> | <u>307,639</u>  | <u>12,342</u>                | <u>919,068</u>   |
| Accumulated amortization:               |  |                                  |               |                 |                              |                  |
| Balance at January 1, 2022              | \$ 85,464                                  | 218,119                          | 37,955        | 177,172         | 12,342                       | 531,052          |
| Amortization for the year               | 15,909                                     | 49,468                           | 6,326         | 69,088          | -                            | 140,791          |
| Effect of movement in exchange rates    | 8,737                                      | 25,582                           | -             | 668             | 1,336                        | 36,323           |
| Balance at December 31, 2022            | <u>\$ 110,110</u>                          | <u>293,169</u>                   | <u>44,281</u> | <u>246,928</u>  | <u>13,678</u>                | <u>708,166</u>   |

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|                                      | <b>Acquired<br/>special<br/>technology</b> | <b>Customer<br/>relationship</b> | <b>Patent</b> | <b>Software</b> | <b>Trademarks<br/>rights</b> | <b>Total</b>   |
|--------------------------------------|--|----------------------------------|---------------|-----------------|------------------------------|----------------|
| Balance at January 1, 2021           | \$ 72,060                                  | 176,959                          | 31,629        | 122,249         | 12,695                       | 415,592        |
| Amortization for the year            | 15,349                                     | 46,616                           | 6,326         | 55,274          | -                            | 123,565        |
| Effect of movement in exchange rates | (1,945)                                    | (5,456)                          | -             | (351)           | (353)                        | (8,105)        |
| Balance at December 31, 2021         | <u>\$ 85,464</u>                           | <u>218,119</u>                   | <u>37,955</u> | <u>177,172</u>  | <u>12,342</u>                | <u>531,052</u> |
| Carrying amount:                     |  |                                  |               |                 |                              |                |
| Balance at December 31, 2022         | <u>\$ 43,557</u>                           | <u>160,327</u>                   | <u>6,326</u>  | <u>98,203</u>   | <u>-</u>                     | <u>308,413</u> |
| Balance at January 1, 2021           | <u>\$ 71,349</u>                           | <u>243,605</u>                   | <u>18,978</u> | <u>142,762</u>  | <u>-</u>                     | <u>476,694</u> |
| Balance at December 31, 2021         | <u>\$ 54,265</u>                           | <u>190,632</u>                   | <u>12,652</u> | <u>130,467</u>  | <u>-</u>                     | <u>388,016</u> |

(i) Goodwill

|                                      | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--------------------------------------|------------------------------|------------------------------|
| Cost                                 |                              |                              |
| Beginning balance                    | \$ 1,024,426                 | 1,054,034                    |
| Effect of movement in exchange rates | 112,139                      | (29,608)                     |
| Ending balance                       | <u>\$ 1,136,565</u>          | <u>1,024,426</u>             |

Goodwill had been allocated to two individual cash-generating units—one in Rectifiers department (CGU Rectifiers) and the other in Bar Code Printers department (CGU Bar Code Printers). The carrying amounts of goodwill which had been allocated to each CGU were as follows:

|                       | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|-----------------------|------------------------------|------------------------------|
| CGU Rectifiers        | \$ 78,494                    | 70,750                       |
| CGU Bar Code Printers | 1,058,071                    | 953,676                      |
|                       | <u>\$ 1,136,565</u>          | <u>1,024,426</u>             |

The recoverable amount of the CGU Bar Code Printers was based on its value in use, the value in use of different businesses is assessed on their recoverable amounts based on the following key assumptions:

(i) Printer business-Printronix

Use value is estimated based on the cash flow that the management of the TSC Auto ID has budgeted for the next 5 years; the discount rates (after tax) used in 2022 and 2021 were 10.5% and 10%, respectively.

Cash flow of the Printronix brand estimated for the budget period also involved the following main assumptions:

- 1) Expected operating revenues and revenue growth: the management takes into account historical sales data, past experience producing barcode printers, forecast of the auto-identification systems industry, as well as future operating strategies and goals to estimate sales over the budget period.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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- 2) Expected gross profit margin and operating profit margin: estimates were made based on past operating performance of the Printronix brand, while taking into consideration cost and expense improvements in the future.

(ii) Label business - DLS

Use value is estimated based on the cash flow that the management of the TSC Auto ID has budgeted for the next 5 years; the discount rates (after tax) used in 2022 and 2021 were 10% and 9.4%, respectively.

Cash flow of the DLS brand estimated for the budget period also involved the following main assumptions:

- 1) Expected operating revenues and revenue growth: the management takes into account historical sales data, demand for labels in the U.S. market, forecast of the label industry, as well as future operating goals to estimate sales over the budget period.
- 2) Expected gross profit margin and operating profit margin: estimates were made based on past operating performance of the DLS brand, while taking into account resource integrating and efficiency improvements in the future.

Recoverable amounts for all cash-generating units mentioned above were higher than their book values, hence no impairment loss was recognized. The management is of the opinion that any reasonable change of key assumptions relating to the recoverable amount of an individual cash-generating units would not cause the book value of the cash-generating unit to exceed its recoverable amount.

(j) Other non-current assets

|                           | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---------------------------|------------------------------|------------------------------|
| Prepayments for equipment | \$ 210,473                   | 190,305                      |
| Others                    | 232,543                      | 205,470                      |
|                           | <b><u>\$ 443,016</u></b>     | <b><u>395,775</u></b>        |

(k) Short-term borrowings

|                                | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--------------------------------|------------------------------|------------------------------|
| Credit loans                   | \$ 1,466,515                 | 810,706                      |
| Import and export loans        | -                            | 110,720                      |
|                                | <b><u>\$ 1,466,515</u></b>   | <b><u>921,426</u></b>        |
| Unused short-term credit lines | <b><u>\$ 4,102,980</u></b>   | <b><u>4,482,773</u></b>      |
| Range of interest rate (%)     | <b><u>1.45%~5.49%</u></b>    | <b><u>0.46%~1.02%</u></b>    |

Please refer to note 6(x) for the disclosures of interest rate risk exposures, currency risk exposures, and liquidity risk exposures.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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Please refer to notes 9 for disclosures of mortgaged and pledged assets.

(1) Long-term borrowings

|                               | <b>December 31, 2022</b> |                      |                     |
|-------------------------------|--------------------------|----------------------|---------------------|
|                               | <b>Rate range</b>        | <b>Maturity year</b> | <b>Amount</b>       |
| Unsecured bank loans          | 1.075%                   | 2027.07.16           | \$ 256,000          |
|                               | 1.075%                   | 2026.12.04           | 88,840              |
|                               | 1.075%                   | 2025.03.28           | 160,000             |
|                               | 1.075%                   | 2024.12.25           | 240,000             |
|                               | 1.625%                   | 2024.03.08           | 41,900              |
|                               | 1.40%~1.50%              | 2025.10.24           | 620,000             |
|                               |                          |                      | 1,406,740           |
| Less: Current portion         |                          |                      | (322,349)           |
| Total                         |                          |                      | <b>\$ 1,084,391</b> |
| Unused long-term credit lines |                          |                      | <b>\$ 1,213,260</b> |

|                               | <b>December 31, 2021</b> |                      |                     |
|-------------------------------|--------------------------|----------------------|---------------------|
|                               | <b>Rate range</b>        | <b>Maturity year</b> | <b>Amount</b>       |
| Unsecured bank loans          | 0.45%                    | 2027.07.16           | \$ 217,300          |
|                               | 0.45%                    | 2026.12.04           | 62,830              |
|                               | 0.45%                    | 2025.03.28           | 115,700             |
|                               | 0.45%                    | 2024.12.25           | 211,580             |
|                               | 1.00%                    | 2024.03.08           | 41,900              |
|                               | 1.00%                    | 2024.07.22           | 900,000             |
|                               |                          |                      | \$ 1,549,310        |
| Less: Current portion         |                          |                      | (65,000)            |
| Total                         |                          |                      | <b>\$ 1,484,310</b> |
| Unused long-term credit lines |                          |                      | <b>\$ 1,950,690</b> |

(iii) To enhance mid-term working capital, TSC Auto ID has signed loan agreements with different banks and paid interest incurred periodically. Before the expiry of contracts, short-term loans can be made within the revolving credit lines. There are no revolving credit lines for mid-term or long-term loans. The maturity dates above are based on the end dates of the loan periods.

(iv) For the years ended December 31, 2022 and 2021, the amounts of the Company's unsecured bank loans were \$139,320 thousand and \$379,760 thousand, respectively, with a grace period ranging from 3~5 years based on the contracts.

Please refer to note 6 (x) for the disclosures of interest rate risk exposures, currency risk exposures, and liquidity risk exposures.

Please refer to note 9 for details on mortgaged and pledged assets.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Other payable

|                            | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|----------------------------|------------------------------|------------------------------|
| Salaries and bonus payable | \$ 584,162                   | 452,277                      |
| Payables on equipment      | 114,902                      | 108,104                      |
| Others                     | <u>366,202</u>               | <u>322,659</u>               |
|                            | <b><u>\$ 1,065,266</u></b>   | <b><u>883,040</u></b>        |

(n) Lease liabilities

The carrying amounts of lease liabilities were as follows:

|             | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|-------------|------------------------------|------------------------------|
| Current     | \$ 106,012                   | 113,331                      |
| Non-current | <u>123,214</u>               | <u>190,820</u>               |
|             | <b><u>\$ 229,226</u></b>     | <b><u>304,151</u></b>        |

For the maturity analysis, please refer to note 6(x).

The amounts recognized in profit or loss were as follows:

|  | <b>2022</b>      | <b>2021</b>   |
|--|------------------|---------------|
| Interest on lease liabilities  | <u>\$ 9,692</u>  | <u>11,847</u> |
| Expenses relating to short-term leases   | <u>\$ 8,743</u>  | <u>8,980</u>  |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | <u>\$ 11,275</u> | <u>17,150</u> |

The Group leased buildings and vehicles for its offices, plants and official cars, with lease periods ranging from 1 to 6 years. The lease of offices and warehouses located in the United States would increase the lease payment at an annual rate of 3% based on the contract.

The amounts recognized in the statement of cash flows for the Group were as follows:

|                               | <b>2022</b>       | <b>2021</b>    |
|-------------------------------|-------------------|----------------|
| Total cash outflow for leases | <u>\$ 147,276</u> | <u>112,298</u> |

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan assets at fair value are as follows:

|  | <b>December 31, 2022</b>  |                        |                        |
|--|---------------------------|------------------------|------------------------|
|  | <b>The Company</b>        | <b>TSC Auto ID</b>     | <b>Total</b>           |
| Present value of the defined benefit obligations | \$ (60,476)               | (18,399)               | (78,875)               |
| Fair value of plan assets                        | 40,430                    | 3,445                  | 43,875                 |
| Net defined benefit liabilities                  | <u><u>\$ (20,046)</u></u> | <u><u>(14,954)</u></u> | <u><u>(35,000)</u></u> |
|  | <b>December 31, 2021</b>  |                        |                        |
|  | <b>The Company</b>        | <b>TSC Auto ID</b>     | <b>Total</b>           |
| Present value of the defined benefit obligations | \$ (63,094)               | (22,831)               | (85,925)               |
| Fair value of plan assets                        | 40,037                    | 3,100                  | 43,137                 |
| Net defined benefit liabilities                  | <u><u>\$ (23,057)</u></u> | <u><u>(19,731)</u></u> | <u><u>(42,788)</u></u> |

1) Composition of plan assets

The Company and TSC Auto ID contribute pension funds to the Bank of Taiwan labor pension reserve account. Under the Labor Standards Act, each employee's retirement payment is calculated based on the number of years of service and the average salary for the six months before retirement. The Group allocates pension funds in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2022, the pension fund account balance at Bank of Taiwan amounted to \$45,032 thousand. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Movements in the present value of the defined benefit obligations

The movements in the present value of defined benefit obligations for the Company and TSC Auto ID in 2022 and 2021 were as follows:

|   | 2022               |                 |                 |
|---|--------------------|-----------------|-----------------|
|   | The Company        | TSC Auto ID     | Total           |
| Defined benefit obligations on January 1                        | \$ (63,094)        | (22,831)        | (85,925)        |
| Current service costs and interest                              | (299)              | (171)           | (470)           |
| Remeasurement in net defined benefit liability                  |                    |                 |                 |
| – Actuarial gains and losses arising from financial assumption  | 2,915              | 3,739           | 6,654           |
| – Actuarial gains and losses arising from experience adjustment | (3,902)            | 864             | (3,038)         |
| Benefits paid   | 3,904              | -               | 3,904           |
| Defined benefit obligations on December 31                      | <u>\$ (60,476)</u> | <u>(18,399)</u> | <u>(78,875)</u> |
|   |                    |                 |                 |
|   | 2021               |                 |                 |
|   | The Company        | TSC Auto ID     | Total           |
| Defined benefit obligations on January 1                        | \$ (67,538)        | (25,778)        | (93,316)        |
| Current service costs and interest                              | (332)              | (200)           | (532)           |
| Remeasurement in net defined benefit liability                  |                    |                 |                 |
| – Actual gains and losses arising from population               | -                  | (783)           | (783)           |
| – Actuarial gains and losses arising from financial assumption  | (754)              | (167)           | (921)           |
| – Actuarial gains and losses arising from experience adjustment | (961)              | 388             | (573)           |
| Benefit paid  | 6,491              | 3,709           | 10,200          |
| Defined benefit obligations on December 31                      | <u>\$ (63,094)</u> | <u>(22,831)</u> | <u>(85,925)</u> |

3) Movement in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company and TSC Auto ID in 2022 and 2021 were as follows:

|  | 2022             |              |               |
|--|------------------|--------------|---------------|
|  | The Company      | TSC Auto ID  | Total         |
| Fair value of plan assets on January 1             | \$ 40,037        | 3,100        | 43,137        |
| Interest income                                    | 302              | 24           | 326           |
| Remeasurement in net defined benefit liability     |                  |              |               |
| – Return on plan assets (exclude current interest) | 3,536            | 216          | 3,752         |
| Contributions paid by the employer                 | 459              | 105          | 564           |
| Pension paid                                       | (3,904)          | -            | (3,904)       |
| Fair value of plan assets on December 31           | <u>\$ 40,430</u> | <u>3,445</u> | <u>43,875</u> |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | <b>2021</b>        |                    |               |
|--|--------------------|--------------------|---------------|
|  | <b>The Company</b> | <b>TSC Auto ID</b> | <b>Total</b>  |
| Fair value of plan assets on January 1             | \$ 45,151          | 2,918              | 48,069        |
| Interest revenue                                   | 340                | 22                 | 362           |
| Remeasurement in net defined benefit liability     |                    |                    |               |
| — Return on plan assets (exclude current interest) | 468                | 38                 | 506           |
| Contributions paid by the employer                 | 569                | 840                | 1,409         |
| Pension paid                                       | (6,491)            | (718)              | (7,209)       |
| Fair value of plan assets on December 31           | <u>\$ 40,037</u>   | <u>3,100</u>       | <u>43,137</u> |

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Company and TSC Auto ID in 2022 and 2021 were as follows:

|   | <b>2022</b>        |                    |              |
|---|--------------------|--------------------|--------------|
|   | <b>The Company</b> | <b>TSC Auto ID</b> | <b>Total</b> |
| Net interest on net defined benefit liability | <u>\$ (3)</u>      | <u>147</u>         | <u>144</u>   |

|   | <b>2021</b>        |                    |              |
|---|--------------------|--------------------|--------------|
|   | <b>The Company</b> | <b>TSC Auto ID</b> | <b>Total</b> |
| Net interest on net defined benefit liability | <u>\$ (8)</u>      | <u>178</u>         | <u>170</u>   |

|                                   | <b>2022</b>        |                    |              |
|-----------------------------------|--------------------|--------------------|--------------|
|                                   | <b>The Company</b> | <b>TSC Auto ID</b> | <b>Total</b> |
| Cost of goods sold                | \$ -               | 53                 | 53           |
| Selling expenses                  | -                  | 9                  | 9            |
| Administrative expenses           | (3)                | 45                 | 42           |
| Research and development expenses | -                  | 40                 | 40           |
|                                   | <u>\$ (3)</u>      | <u>147</u>         | <u>144</u>   |

|                                   | <b>2021</b>        |                    |              |
|-----------------------------------|--------------------|--------------------|--------------|
|                                   | <b>The Company</b> | <b>TSC Auto ID</b> | <b>Total</b> |
| Cost of goods sold                | \$ (7)             | 67                 | 60           |
| Selling expenses                  | (2)                | 6                  | 4            |
| Administrative expenses           | 1                  | 48                 | 49           |
| Research and development expenses | -                  | 57                 | 57           |
|                                   | <u>\$ (8)</u>      | <u>178</u>         | <u>170</u>   |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 5) Re-measurement of net defined benefit liability recognized in other comprehensive income

The Company and TSC Auto ID's re-measurement of the net defined benefit liability recognized in other comprehensive income for the year ended December 31, 2022 and 2021 were as follows:

|                                    | <b>2022</b>        |                    |                |
|------------------------------------|--------------------|--------------------|----------------|
|                                    | <b>The Company</b> | <b>TSC Auto ID</b> | <b>Total</b>   |
| Accumulative amount at January 1   | \$ (3,366)         | (5,340)            | (8,706)        |
| Recognized during the period       | 2,549              | 4,819              | 7,368          |
| Accumulative amount at December 31 | <b>\$ (817)</b>    | <b>(521)</b>       | <b>(1,338)</b> |
|                                    | <b>2021</b>        |                    |                |
|                                    | <b>The Company</b> | <b>TSC Auto ID</b> | <b>Total</b>   |
| Accumulative amount at January 1   | \$ (2,119)         | (4,816)            | (6,935)        |
| Recognized during the period       | (1,247)            | (524)              | (1,771)        |
| Accumulative amount at December 31 | <b>\$ (3,366)</b>  | <b>(5,340)</b>     | <b>(8,706)</b> |

- 6) Actuarial assumptions

The following are the Company and TSC Auto ID's principal actuarial assumptions:

|                             | <b>2022.12.31</b>  |                    | <b>2021.12.31</b>  |                    |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
|                             | <b>The Company</b> | <b>TSC Auto ID</b> | <b>The Company</b> | <b>TSC Auto ID</b> |
| Discount rate               | 1.25%~1.75%        | 2.00 %             | 0.50%~0.75%        | 0.75%~0.875%       |
| Future salary increase rate | 2.50 %             | 2.50 %             | 2.50 %             | 2.50 %             |

The expected allocation payment made by the Company and TSC Auto ID to the defined benefit plans for the one year period after the reporting date were \$495 thousand and \$103 thousand, respectively.

The defined benefited obligation weight-average duration of the Company is between 2.33 years to 21.19 years. The defined benefited obligation weight-average duration of TSC Auto ID is from 2.66 years to 22.00 years.

- 7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Company and TSC Auto ID use judgments and estimations to determine the actuarial assumptions, including discount rate, employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

|                               | <b>The impact on the present value of<br/>the defined benefit obligation</b> |                        |
|-------------------------------|--|------------------------|
|                               | <b>Increased 0.25%</b>   | <b>Decreased 0.25%</b> |
| December 31, 2022             |  |                        |
| Discount rate                 | \$ (1,373)   | 1,425                  |
| Future salary increasing rate | 1,394  | (1,350)                |
| December 31, 2021             |  |                        |
| Discount rate                 | (1,779)  | 1,853                  |
| Future salary increasing rate | 1,797  | (1,734)                |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company and TSC Auto ID allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

For the years 2022 and 2021, the Group's pension costs under the defined contribution method were \$66,412 thousand and \$55,309 thousand, respectively. Payment was made to the Bureau of Labor Insurance.

The pension cost of foreign subsidiaries recognized in accordance with the local defined contribution method amounted to \$50,288 thousand and \$45,849 thousand for the years 2022 and 2021, respectively.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(p) Income tax

(i) The components of income tax in the years 2022 and 2021 were as follows:

|  | <u>2022</u>       | <u>2021</u>    |
|--|-------------------|----------------|
| Current tax expenses                     |                   |                |
| Current period                           | \$ 706,086        | 489,714        |
| Additional tax on undistributed earnings | 15,051            | 14,908         |
| Adjustment for prior periods             | <u>5,832</u>      | <u>(9,135)</u> |
|  | <u>726,969</u>    | <u>495,487</u> |
| Deferred tax expenses                    |                   |                |
| Origination of temporary differences     | <u>110,046</u>    | <u>70,250</u>  |
| Total income tax expenses                | <u>\$ 837,015</u> | <u>565,737</u> |

(ii) The amount of income tax recognized directly in equity for 2022 and 2021 was as follows:

|  | <u>2022</u>   | <u>2021</u> |
|--|---------------|-------------|
| Disposal of partial equity of subsidiary | <u>\$ 721</u> | <u>-</u>    |

(iii) The amounts of income tax recognized in other comprehensive income for the years 2022 and 2021 were as follows:

|  | <u>2022</u>      | <u>2021</u>     |
|--|------------------|-----------------|
| Items that may be reclassified subsequently to profit or loss: |                  |                 |
| Foreign currency translation differences of foreign operations | <u>\$ 48,006</u> | <u>(15,123)</u> |

The Group's reconciliation of income tax and profit before tax for 2022 and 2021 is as follows:

|  | <u>2022</u>         | <u>2021</u>      |
|--|---------------------|------------------|
| Profit excluding income tax                            | <u>\$ 3,013,930</u> | <u>1,947,632</u> |
| Income tax   | \$ 608,107          | 399,013          |
| Undistributed earnings additional tax                  | 15,051              | 14,908           |
| Income tax expense of subsidiaries                     | 245,889             | 208,628          |
| Change in unrecognized temporary difference and others | <u>(32,032)</u>     | <u>(56,812)</u>  |
| Total  | <u>\$ 837,015</u>   | <u>565,737</u>   |

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

As of December 31, 2022 and 2021, the Group's deferred tax assets have not been recognized in respect of the following temporary difference.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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|                                  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|----------------------------------|------------------------------|------------------------------|
| Deductible temporary differences | <b>\$ 56,897</b>             | <b>\$ 53,696</b>             |
| Investment tax credit            | <b>\$ 61,850</b>             | <b>\$ 55,747</b>             |

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax assets:

|  | <b>Inventory<br/>obsolescence</b> | <b>Allowance for<br/>doubtful<br/>accounts</b> | <b>Unrealized<br/>gross profit</b> | <b>Investment<br/>tax credit</b> | <b>Net operating<br/>loss<br/>carryforward</b> | <b>Others</b>  | <b>Total</b>   |
|--|-----------------------------------|--|------------------------------------|----------------------------------|--|----------------|----------------|
| Balance at January 1, 2022               | \$ 30,702                         | 1,802  | 41,695                             | 248,655                          | 16,641   | 116,702        | 456,197        |
| Recognized in profit or loss             | 19,636                            | (865)  | 28,728                             | (25,291)                         | (10,717)                                       | 7,040          | 18,531         |
| Recognized in other comprehensive income | -                                 | -  | -                                  | -                                | -  | (48,006)       | (48,006)       |
| Effect of movement in exchange rate      | -                                 | -  | -                                  | 26,308                           | 1,436  | 3,699          | 31,443         |
| Balance at December 31, 2022             | <b>\$ 50,338</b>                  | <b>937</b>                                     | <b>70,423</b>                      | <b>249,672</b>                   | <b>7,360</b>                                   | <b>79,435</b>  | <b>458,165</b> |
| Balance at January 1, 2021               | \$ 14,173                         | 1,866  | 43,325                             | 270,648                          | 35,213   | 98,341         | 463,566        |
| Recognized in profit or loss             | 16,529                            | (64)   | (1,630)                            | (14,545)                         | (17,771)                                       | 4,167          | (13,314)       |
| Recognized in other comprehensive income | -                                 | -  | -                                  | -                                | -  | 15,123         | 15,123         |
| Effect of movement in exchange rate      | -                                 | -  | -                                  | (7,448)                          | (801)  | (929)          | (9,178)        |
| Balance at December 31, 2021             | <b>\$ 30,702</b>                  | <b>1,802</b>                                   | <b>41,695</b>                      | <b>248,655</b>                   | <b>16,641</b>                                  | <b>116,702</b> | <b>456,197</b> |

Deferred tax liabilities:

|                                     | <b>Recognized<br/>income under<br/>equity method</b> | <b>Book-tax<br/>difference of<br/>intangible<br/>assets</b> | <b>Maturity year<br/>difference<br/>arising from<br/>plant and<br/>equipment</b> | <b>Others</b>   | <b>Total</b>     |
|-------------------------------------|--|---|--|-----------------|------------------|
| Balance at January 1, 2022          | \$ (569,143)   | (19,544)  | (80,074)   | (15,961)        | (684,722)        |
| Recognized in profit or loss        | (128,156)  | 11,347  | (8,194)  | (3,574)         | (128,577)        |
| Effect of movement in exchange rate | -  | (1,722)   | (9,060)  | (1,025)         | (11,807)         |
| Balance at December 31, 2022        | <b>\$ (697,299)</b>                                  | <b>(9,919)</b>  | <b>(97,328)</b>  | <b>(20,560)</b> | <b>(825,106)</b> |
| Balance at January 1, 2021          | \$ (520,433)   | (30,190)  | (67,841)   | (12,328)        | (630,792)        |
| Recognized in profit or loss        | (48,710)   | 9,902   | (14,290)   | (3,838)         | (56,936)         |
| Effect of movement in exchange rate | -  | 744   | 2,057  | 205             | 3,006            |
| Balance at December 31, 2021        | <b>\$ (569,143)</b>                                  | <b>(19,544)</b>   | <b>(80,074)</b>  | <b>(15,961)</b> | <b>(684,722)</b> |

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (v) As of December 31, 2022, PTNX US based on the investment tax credits recognized in the U.S. local tax laws is as follows:

| <b>Deduction items</b>               | <b>Deductionable<br/>balance</b> | <b>Deductionable due</b> |
|--------------------------------------|----------------------------------|--------------------------|
| Research and development expenditure |                                  |                          |
| Federal tax                          | \$ 62,083                        | 2036                     |
| State tax                            | 249,439                          | Unlimited                |
|                                      | <b>\$ 311,522</b>                |                          |

- (vi) As of December 31, 2022, net operating loss carryforward of DLS is as follows:

| <b>Jurisdiction</b> | <b>Outstanding<br/>balance</b> | <b>Losses carried<br/>forward due</b> |
|---------------------|--------------------------------|---------------------------------------|
| Illinois            | \$ 77,474                      | 2031                                  |

- (vii) As of December 31, 2022, the income tax returns of the Company and TSC Auto ID through the year 2020 were assessed by the Tax Authority.

- (viii) Since funds are needed for expanding the overseas operations, the earnings of the Company's overseas subsidiaries will not be transferred back in the short run. In accordance with paragraph A39 of IAS 12 "Income Taxes", the earnings' book-tax difference should be considered permanent.

- (q) Stockholders' equity

- (i) Common stock

A resolution was passed during the general meeting of shareholders held on 14 June, 2019 for the issuance of ordinary shares for cash within a year under private placement, with the number of shares issued not exceeding 10,000 thousand. Subsequently, a resolution was passed during the board meeting held on 30 October, 2019 for the issuance of 6,741 thousand ordinary shares under private placement, with par value of \$10 per share, amounting to \$299,975 thousand, with 18 November, 2019 as the date of capital increase. The relevant statutory registration procedures have since been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities (December 28, 2019), and after applying for a public offering with the Financial Supervisory Commission.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Convertible bonds issued by the Company were converted into 13,412 thousand shares of common stock in 2021, with par value of \$10 per share, resulting in the premium to exceed the price of ordinary shares \$604,864 thousand, which was recognized as conversion premium of convertible corporate bonds under retained earnings, with March 26, 2021 as the date of issuance of new shares and capital increase. The related registration procedures were completed.

The Company retired 1,600 thousand of treasury shares and eliminated \$69,482 thousand of capital surplus - treasury shares, which was approved by the Board of Directors on January 10, 2022, as the date of capital reduction. The related registration procedures have been completed.

As of December 31, 2022 and 2021, the authorized capital amounted to \$3,600,000 (including the amount of \$100,000 authorized for the issuance of the employee stock options); the Company's outstanding capital amounted to \$2,634,854 thousand and \$2,650,854 thousand, respectively, with a par value of \$10 (dollars) per share.

(ii) Capital surplus

|  | <b>December 31, 2022</b> | <b>December 31, 2021</b> |
|--|--------------------------|--------------------------|
| Premium on shares issued above par value                     | \$ 639,859               | 639,859                  |
| Conversion premium of convertible corporate bonds            | 1,229,442                | 1,229,442                |
| Treasury share transactions                                  | 140,945                  | 173,427                  |
| Employee share options premium                               | 24,378                   | 24,378                   |
| Interest compensation payable on convertible corporate bonds | 18,674                   | 18,674                   |
| Employee share options                                       | 1,543                    | 1,543                    |
| Change in affiliates recognized under equity method          | 82,247                   | 79,476                   |
|  | <b>\$ 2,137,088</b>      | <b>2,166,799</b>         |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Special reserve

According to ROC SFB regulations, an ROC publicly listed company should retain its special reserve equal to any deductions from stockholders' equity before distribution of earnings. If the aforementioned deduction from stockholders' equity is reversed, the same amount could be removed from special reserve and transferred to unappropriated earnings. The remaining earnings may be distributed as stockholders' dividends.

The increase in retained earnings occurring before the adoption date due to the first-time adoption of IFRSs amounted to \$302,149. In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution. When the relevant assets are used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to \$302,149 on December 31, 2022 and 2021.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the current-period total net reduction of other equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(v) Distribution of earnings and dividend policy

In accordance with the Company's articles of incorporation, if there are appropriate earnings at year-end, the after-tax earnings shall first be offset against any deficit, and 10% should be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special capital reserve may be appropriated in accordance with relevant laws. The remaining balance of the earnings can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the Stockholders' meeting.

According to the stock dividend policy of the Company, in consideration of future capital needs, operational development, capital needs, international and domestic competitiveness, and stockholders' benefits, etc., cash dividends cannot be lower than 10% of total stock dividends. However, stock dividends instead of cash dividends are distributed if the cash dividends per share are less than 0.2 (dollars).

The annual shareholders' meeting on June 21, 2022 and July 26, 2021, resolved to distribute earnings as dividends and as employee bonuses and directors' remuneration for 2021 and 2020 as follows:

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | 2021                             |                       | 2020                             |                       |
|--|----------------------------------|-----------------------|----------------------------------|-----------------------|
|  | Amount<br>per share<br>(dollars) | Total<br>amount       | Amount<br>per share<br>(dollars) | Total<br>amount       |
| Dividends distributed to<br>common shareholders: |                                  |                       |                                  |                       |
| Cash   | \$ 2.50                          | <u><u>658,714</u></u> | 1.50                             | <u><u>395,228</u></u> |

(vi) Treasury stocks

In accordance with Article 28-2 of the Securities and Exchange Act, in order to transfer shares to employees, as of December 31, 2021, the Company repurchased 1,600 thousand shares of treasury stock at a cost of \$85,482 thousand. The Company retired 1,600 thousand of treasury shares in January 2022, amounting to \$85,482 thousand, as described in common stock.

In accordance with Securities and Exchange Act requirements, treasury shares held by the Company should not be pledged, and do not hold shareholder rights before their transfer.

As of December 31, 2022 and 2021, a subsidiary of the Company, TSC Auto ID, held 14,800 thousand share and 13,600 thousand share of the Company with a total value of \$506,043 thousand and \$421,508 thousand respectively, recognized under treasury shares.

As of year-end 2022 and 2021, the Company had recognized dividend income received from its TSC Auto ID subsidiary in the amount of \$37,000 thousand and \$20,400 thousand, respectively, and the total amount were transferred to capital surplus – treasury shares under the equity method.

(vii) Other equity

|                              |  |
|------------------------------|--|
|                              | <b>Foreign exchange<br/>differences arising<br/>from foreign<br/>operation</b> |
| Balance at January 1, 2022   | \$ (531,125)   |
| Foreign exchange differences | <u>171,567</u>   |
| Balance at December 31, 2022 | <u><u>\$ (359,558)</u></u>   |
|                              | <b>Foreign exchange<br/>differences arising<br/>from foreign<br/>operation</b> |
| Balance at January 1, 2021   | \$ (459,300)   |
| Foreign exchange differences | <u>(71,825)</u>  |
| Balance at December 31, 2021 | <u><u>\$ (531,125)</u></u>   |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Share-based payment

As of December 31, 2022, the Group's share-based payment arrangements were as follows:

| <u>Type</u>              | <u>TSC Auto ID</u>                                    |  |
|--------------------------|---|--|
|                          | <u>Year 2020 First<br/>employee stock<br/>options</u> | <u>Year 2020 Second<br/>employee stock<br/>options</u> |
| Grant date               | 2020.7.1  | 2021.4.6   |
| Number of shares granted | 943 units   | 57 units   |
| Contract term            | 5 years   | 5 years  |
| Recipients               | Employees   | Employees  |
| Vesting period           | Provide future service<br>of 2 years                  | Provide future service<br>of 2 years                   |

(i) Determining the fair value of equity instruments granted

TSC Auto ID used the Black Scholes method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

|                                  | <u>TSC Auto ID</u>                                    |  |
|----------------------------------|---|--|
|                                  | <u>Year 2020 First<br/>employee stock<br/>options</u> | <u>Year 2020 Second<br/>employee stock<br/>options</u> |
| Exercise price (\$)              | 188.50  | 217.50   |
| Term of the stock option (years) | 3.5~4.5   | 3.5~4.5  |
| Expected volatility (%)          | 31.40%~ 32.52%  | 29.98%~ 31.14%   |
| Risk-free interest rate (%)      | 0.33%~ 0.36%  | 0.26%~ 0.30%   |

(ii) The details of TSC Auto ID's employee stock options were as follows:

|   | <u>2022</u>                            |  | <u>2021</u>                            |  |
|---|--|--|--|--|
|   | <u>Number of<br/>stock<br/>options</u> | <u>Weighted-<br/>average<br/>exercise price<br/>(\$)</u> | <u>Number of<br/>stock<br/>options</u> | <u>Weighted-<br/>average<br/>exercise price<br/>(\$)</u> |
| <b>TSC Auto ID stock options</b>                              |  |  |  |  |
| Outstanding at January 1                                      | 945                                    | \$170.80~208.10  | 1,742                                  | 178.50~211.60  |
| Granted during the year                                       | -                                      | -  | 57                                     | 217.50   |
| Exercised during the year                                     | (42)                                   | 159.9  | -                                      | -  |
| Forfeited during the year                                     | (7.5)                                  | -  | (45)                                   | -  |
| Expired during the year                                       | -                                      | -  | (809)                                  | -  |
| Outstanding at December 31                                    | <u>895.5</u>                           | 159.90~194.80  | <u>945</u>                             | 170.80~208.10  |
| Exercisable at December 31                                    | <u>412</u>                             |  | <u>-</u>                               |  |
| Weighted average of<br>remaining contractual<br>period (year) | <u>2.50~ 3.27</u>                      |  | <u>3.50~ 4.27</u>                      |  |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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In the years 2022 and 2021, TSC Auto ID's share-based payments due to equity settlement amounted to \$14,713 thousand and \$15,187 thousand, respectively, and were recognized under operating cost and operating expense.

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

|                              | <b>2022</b>         |                          |                   |
|------------------------------|---------------------|--------------------------|-------------------|
|                              | <b>Rectifiers</b>   | <b>Bar code Printers</b> | <b>Total</b>      |
| Primary geographical markets |                     |                          |                   |
| Asia                         | \$ 4,569,313        | 2,332,541                | 6,901,854         |
| America                      | 1,127,047           | 4,113,704                | 5,240,751         |
| Europe                       | 1,917,594           | 1,520,620                | 3,438,214         |
| Others                       | 106,315             | -                        | 106,315           |
|                              | <u>\$ 7,720,269</u> | <u>7,966,865</u>         | <u>15,687,134</u> |
| Major products lines         |                     |                          |                   |
| Rectifiers                   | \$ 7,720,269        | -                        | 7,720,269         |
| Bar code Printers            | -                   | 7,966,865                | 7,966,865         |
|                              | <u>\$ 7,720,269</u> | <u>7,966,865</u>         | <u>15,687,134</u> |
|                              |                     |                          |                   |
|                              | <b>2021</b>         |                          |                   |
|                              | <b>Rectifiers</b>   | <b>Bar code Printers</b> | <b>Total</b>      |
| Primary geographical markets |                     |                          |                   |
| Asia                         | \$ 3,871,058        | 2,203,509                | 6,074,567         |
| America                      | 873,370             | 3,162,286                | 4,035,656         |
| Europe                       | 1,453,330           | 1,482,924                | 2,936,254         |
| Others                       | 130,940             | -                        | 130,940           |
|                              | <u>\$ 6,328,698</u> | <u>6,848,719</u>         | <u>13,177,417</u> |
| Major products lines         |                     |                          |                   |
| Rectifiers                   | \$ 6,328,698        | -                        | 6,328,698         |
| Bar code Printers            | -                   | 6,848,719                | 6,848,719         |
|                              | <u>\$ 6,328,698</u> | <u>6,848,719</u>         | <u>13,177,417</u> |

(ii) Contract balances

|                            | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> | <b>January 1,<br/>2021</b> |
|----------------------------|------------------------------|------------------------------|----------------------------|
| Notes and trade receivable | \$ 3,053,974                 | 2,990,996                    | 2,399,501                  |
| Less: Loss allowance       | (37,506)                     | (39,430)                     | (30,564)                   |
| Total                      | <u>\$ 3,016,468</u>          | <u>2,951,566</u>             | <u>2,368,937</u>           |

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

(t) Non-operating income and expenses

(i) Interest income

The Group's interest income detail was as follows:

|                                    | <u>2022</u>      | <u>2021</u>   |
|------------------------------------|------------------|---------------|
| Interest income from bank deposits | \$ <u>19,892</u> | <u>14,541</u> |

(ii) Other income

|                      | <u>2022</u>      | <u>2021</u>   |
|----------------------|------------------|---------------|
| Rent income          | \$ 8,739         | 8,837         |
| Gains on put options | -                | 251           |
| Others               | <u>37,286</u>    | <u>37,224</u> |
|                      | <u>\$ 46,025</u> | <u>46,312</u> |

(iii) Other gains and losses

|  | <u>2022</u>       | <u>2021</u>    |
|--|-------------------|----------------|
| Losses on disposal of property, plant and equipment                    | \$ (4,840)        | (3,601)        |
| Foreign exchange gains   | 261,843           | 17,313         |
| Gains (losses) on financial asset at fair value through profit or loss | (51,151)          | 8,726          |
| Reversal of impairment gains (losses) on property, plant and equipment | 595               | (2,701)        |
| Others   | <u>8,503</u>      | <u>(8,873)</u> |
|  | <u>\$ 197,944</u> | <u>10,864</u>  |

(iv) Finance costs

|                               | <u>2022</u>        | <u>2021</u>     |
|-------------------------------|--------------------|-----------------|
| Interest expense              | \$ (38,804)        | (32,971)        |
| Less: interest capitalization | 474                | 2,060           |
| Other financial costs         | <u>(2,122)</u>     | <u>(2,081)</u>  |
|                               | <u>\$ (40,452)</u> | <u>(32,992)</u> |

(u) Remunerations to employees and directors

In accordance with the Company's articles of incorporation, require that earnings shall first be offset against any deficit, then, a range from 4% to 10% will be distributed as employee remuneration and a maximum of 1% will be allocated as directors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The abovementioned directors' remuneration, which should be distributed in cash, and the amount of remuneration to employees, had been approved by the Board of Directors and will be reported during the shareholders' meeting.

The Company estimated its remuneration to employees amounting to \$139,206 thousand and \$64,897 thousand for the years ended December 31, 2022 and 2021, respectively, and estimated its remuneration to directors amounting \$19,886 thousand and \$10,816 thousand for the years ended December 31, 2022 and 2021, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors, as specified in the Company's article. The estimations are recorded under operation expenses. The differences between the estimated amounts in financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as changes in accounting estimates and recognized as profit or loss in following year. The related information can be accessed from the market observation post system website. There were no differences between the estimated amounts reflected in the 2022 and 2021 financial reports, and the actual amounts approved by the Board of Directors.

(v) Earnings per share

(i) Basic earnings per share

|  | <u>2022</u>      | <u>2021</u>    |
|--|------------------|----------------|
| Net income   | <u>1,562,887</u> | <u>882,805</u> |
| Weighted-average number of outstanding shares<br>(thousands) | <u>248,877</u>   | <u>248,585</u> |
| Basic earnings per share (\$)                                | <u>6.28</u>      | <u>3.55</u>    |

(ii) Diluted earnings per share

|   | <u>2022</u>      | <u>2021</u>    |
|---|------------------|----------------|
| Net income  | 1,562,887        | 882,805        |
| Effect of interest expense of convertible notes                             | -                | 1,549          |
| Diluted net income per share  | <u>1,562,887</u> | <u>884,354</u> |
| Weighted-average number of outstanding shares<br>(thousands)                | 248,877          | 248,585        |
| Employees' remuneration   | 2,058            | 976            |
| Effect of conversion of convertible bonds                                   | -                | 1,521          |
| Diluted weighted-average number of common shares<br>outstanding (thousands) | <u>250,935</u>   | <u>251,082</u> |
| Diluted earnings per share (\$)   | <u>6.23</u>      | <u>3.52</u>    |

(w) Disposal of subsidiaries under the restructuring-loss of control

TSC Auto ID signed a share transaction agreement with its subsidiary TSCAA on July 1, 2022 to sell 5% of TSC Auto ID owned shares in PTNX US. Upon the completion of the share transfer, the Board of Directors of TSC Auto ID resolved that July 1, 2022 shall be the record date for the merger. TSCAA has consolidated and merged with PTNX US, which becomes a 100% owned subsidiary. This transaction is considered an organizational restructuring under common control and is treated as an equity transaction.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Consideration received

|                              | <b>PTNX US</b>   |
|------------------------------|------------------|
| Total consideration received | <b>\$ 48,219</b> |

(ii) Analysis of assets and liabilities for loss of control

|   | <b>PTNX US</b>   |
|---|------------------|
| <b>Current assets</b>                       |                  |
| Cash and cash equivalents                   | \$ 2,010         |
| Accounts receivable net                     | 4,192            |
| Accounts receivable-affiliated parties, net | 1,012            |
| Other receivable-affiliated parties         | 2,354            |
| Inventory                                   | 2,516            |
| Prepayment                                  | 1,056            |
| Other current assets                        | 10               |
| <b>Non-current assets</b>                   |                  |
| Property, plant and equipment               | 48               |
| Intangible assets                           | 18               |
| Goodwill                                    | 27,738           |
| Customer relations                          | 277              |
| Knowhow & technology                        | 842              |
| Deferred income tax assets                  | 13,676           |
| <b>Current liability</b>                    |                  |
| Account payable                             | (2,643)          |
| Other payables                              | (931)            |
| Income tax liability during the period      | (234)            |
| Liability reserve                           | (23)             |
| Other current liabilities                   | (90)             |
| <b>Non-current liabilities</b>              |                  |
| Deferred income tax liabilities             | (814)            |
| Other non-current liabilities               | (1,744)          |
| Disposal of net assets                      | <b>\$ 49,270</b> |

(iii) Equity transaction difference

|   | <b>PTNX US</b>    |
|---|-------------------|
| Consideration received  | \$ 48,219         |
| Disposal of net assets  | (49,270)          |
| Adjustments to exchange difference on translation of financial statements of foreign operations | (8,871)           |
| Equity transaction difference (recognized as capital surplus reduction)                         | <b>\$ (9,922)</b> |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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TSCAA recognizes the book value of PTNX US held by the parent company under the equity method as of July 1, 2022, as the accounting basis for the acquisition. The excess of the acquisition price over the carrying value of PTNX US's net assets was adjusted to capital surplus of \$9,922 thousand. The Company adjusts according to the proportion of ownership. In summary, except for the income tax recognized in capital surplus rather than recognized directly in equity, the above transaction did not affect the preparation of the financial statements of the Group.

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The Group has a wide range of customers and has no significant transactions that only focus on a single customer. There is no sales revenue to a specified customer accounted for 10% of operating revenue.

3) Receivable and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(c).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

|  | <u>Carrying<br/>amount</u> | <u>Contractual<br/>cash flow</u> | <u>1 year</u>    | <u>1-2 years</u> | <u>2-5 years</u> | <u>More than<br/>5 years</u> |
|--|----------------------------|----------------------------------|------------------|------------------|------------------|------------------------------|
| <b>December 31, 2022</b>                                   |                            |                                  |                  |                  |                  |                              |
| <b>Non-derivative financial liabilities</b>                |                            |                                  |                  |                  |                  |                              |
| Short-term borrowings                                      | \$ 1,466,515               | 1,471,972                        | 1,471,972        | -                | -                | -                            |
| Accounts payable   | 1,648,557                  | 1,648,557                        | 1,648,557        | -                | -                | -                            |
| Other payables   | 1,065,266                  | 1,065,266                        | 1,065,266        | -                | -                | -                            |
| Lease liabilities  | 229,226                    | 241,713                          | 118,899          | 105,058          | 17,756           | -                            |
| Deposits received  | 2,217                      | 2,217                            | 2,217            | -                | -                | -                            |
| Long-term borrowings(including<br>expires within one year) | 1,406,740                  | 1,422,754                        | 330,430          | 859,760          | 232,564          | -                            |
| <b>Derivative financial liabilities</b>                    |                            |                                  |                  |                  |                  |                              |
| Exchange forward contract                                  | 2,392                      | 2,392                            | 2,392            | -                | -                | -                            |
|  | <u>\$ 5,820,913</u>        | <u>5,854,871</u>                 | <u>4,639,733</u> | <u>964,818</u>   | <u>250,320</u>   | <u>-</u>                     |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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|  | <u>Carrying<br/>amount</u> | <u>Contractual<br/>cash flow</u> | <u>1 year</u>    | <u>1-2 years</u> | <u>2-5 years</u> | <u>More than<br/>5 years</u> |
|--|----------------------------|----------------------------------|------------------|------------------|------------------|------------------------------|
| <b>December 31, 2021</b>                                   |                            |                                  |                  |                  |                  |                              |
| <b>Non-derivative financial liabilities</b>                |                            |                                  |                  |                  |                  |                              |
| Short-term borrowings                                      | \$ 921,426                 | 922,118                          | 922,118          | -                | -                | -                            |
| Notes and accounts payable                                 | 1,675,156                  | 1,675,156                        | 1,675,156        | -                | -                | -                            |
| Other payables   | 883,040                    | 883,040                          | 883,040          | -                | -                | -                            |
| Lease liabilities  | 304,151                    | 320,569                          | 125,922          | 95,349           | 99,298           | -                            |
| Deposits received  | 2,347                      | 2,347                            | 2,347            | -                | -                | -                            |
| Long-term borrowings(including<br>expires within one year) | 1,549,310                  | 1,579,765                        | 21,960           | 235,155          | 1,290,913        | 31,737                       |
| <b>Derivative financial liabilities</b>                    |                            |                                  |                  |                  |                  |                              |
| Exchange forward contract                                  | 563                        | 563                              | 563              | -                | -                | -                            |
|  | <u>\$ 5,335,993</u>        | <u>5,383,558</u>                 | <u>3,631,106</u> | <u>330,504</u>   | <u>1,390,211</u> | <u>31,737</u>                |

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

|   | <u>December 31, 2022</u> |                         | <u>December 31, 2021</u> |                         |
|---|--------------------------|-------------------------|--------------------------|-------------------------|
|   | <u>Exchange<br/>rate</u> | <u>Amount<br/>(TWD)</u> | <u>Exchange<br/>rate</u> | <u>Amount<br/>(TWD)</u> |
| <u>Financial assets</u>                 |                          |                         |                          |                         |
| <u>Monetary Items</u>                   |                          |                         |                          |                         |
| USD                                     | \$ 30.71                 | 2,986,582               | 27.68                    | 2,264,903               |
| EUR                                     | 32.72                    | 885,939                 | 31.32                    | 744,326                 |
| JPY                                     | 0.2324                   | 200,138                 | 0.2405                   | 171,703                 |
| HKD                                     | 3.9380                   | 468,598                 | 3.5490                   | 484,125                 |
| RMB                                     | 4.4080                   | 1,976,945               | 4.3440                   | 1,678,553               |
| KRW                                     | 0.0244                   | 2,390                   | 0.0233                   | 2,120                   |
|   |                          | <u>\$ 6,520,592</u>     |                          | <u>5,345,730</u>        |
| <u>Derivative financial instruments</u> |                          |                         |                          |                         |
| USD                                     | \$ 30.71                 | 1,798                   | 27.68                    | 4,702                   |
| EUR                                     | 32.72                    | -                       | 31.32                    | 333                     |
|   |                          | <u>\$ 1,798</u>         |                          | <u>5,035</u>            |

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|   | December 31, 2022 |                     | December 31, 2021 |                  |
|---|-------------------|---------------------|-------------------|------------------|
|   | Exchange rate     | Amount (TWD)        | Exchange rate     | Amount (TWD)     |
| <u>Financial liabilities</u>            |                   |                     |                   |                  |
| <u>Monetary items</u>                   |                   |                     |                   |                  |
| USD                                     | \$ 30.71          | 751,186             | 27.68             | 743,173          |
| EUR                                     | 32.72             | 513,442             | 31.32             | 262,425          |
| JPY                                     | 0.2324            | 59,307              | 0.2405            | 46,080           |
| HKD                                     | 3.9380            | 1,534               | 3.5490            | 1,385            |
| RMB                                     | 4.4080            | 609,884             | 4.3440            | 837,737          |
| KRW                                     | 0.0244            | 2,509               | 0.0233            | 2,141            |
|   |                   | <b>\$ 1,937,862</b> |                   | <b>1,892,941</b> |
| <u>Derivative financial instruments</u> |                   |                     |                   |                  |
| USD                                     | \$ 30.71          | 2,392               | 27.68             | 516              |
| EUR                                     | 32.72             | -                   | 31.32             | 47               |
|   |                   | <b>\$ 2,392</b>     |                   | <b>563</b>       |

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets and financial liabilities that are denominated in foreign currency.

A strengthening (weakening) of 3% of the NTD against the foreign currency as of December 31, 2022 and 2021, would have increased or decreased the net profit before tax by \$137,464 thousand and \$103,718 thousand for the years ended December 31, 2022 and 2021, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2021 (prior year).

3) Foreign exchange gains and losses of monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, foreign exchange gain (including realized and unrealized portions) amounted to \$261,843 thousand and \$17,313 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1 basis point, the Group's net profit before tax would have decreased by \$28,733 thousand and \$24,707 thousand for the years ended December 31, 2022 and 2021, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates and investment in variable-rate bills.

(v) Other price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follow, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

|   | For the years ended December 31             |            |   |                |
|---|---|------------|---|----------------|
|   | 2022  |            | 2021  |                |
|   | Other consolidated profit or loss after tax | Net income | Other consolidated profit or loss after tax | Net income     |
| <u>Security price on the reporting date</u> |   |            |   |                |
| Increasing 1%                               | \$ <u>33</u>                                | -          | -   | <u>1,500</u>   |
| Decreasing 1%                               | \$ <u>(33)</u>                              | -          | -   | <u>(1,500)</u> |

(vi) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

|  | December 31, 2022 |            |         |         |       |
|--|-------------------|------------|---------|---------|-------|
|  | Carrying amount   | Fair value |         |         | Total |
|  |                   | Level 1    | Level 2 | Level 3 |       |
| <b>Financial assets at fair value through profit or loss</b>             |                   |            |         |         |       |
| Derivative financial assets  | \$ 1,798          | -          | 1,798   | -       | 1,798 |
| <b>Financial assets at fair value through other comprehensive income</b> |                   |            |         |         |       |
| Fund in foreign markets  | \$ 4,157          | -          | -       | 4,157   | 4,157 |

(Continued)



**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Valuation techniques of financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the consolidated balance sheet date.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Fair value hierarchy transfer

There was no transfer from one level to another for the years ended December 31, 2022 and 2021.

4) Quantified information on significant unobservable inputs Level 3 used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure the fair value include the financial assets at fair value through other comprehensive income – fund in foreign markets.

Most of fair value measurements of the Company which are categorized as equity investment into level 3 have only one significant unobservable input, wherein the significant unobservable inputs of equity investments without a quoted price are independent of each other.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Quantified information of significant unobservable inputs was as follows:

| <u>Item</u>   | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u> |
|---|----------------------------|--|--|
| Financial assets at fair value through other comprehensive income – fund in foreign markets | Net Asset Value Method     | Net Asset Value                        | The higher the net asset value is, the higher the estimated fair value would be.             |

(y) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

1) Trade and other receivable

The Risk Management Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

If the Group retains the rights to the products that have already been sold, the Group shall also have the right to require collateral if payment has not been received. The Group does not require any collateral for accounts receivable and other receivables.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At 31 December 2022, no other guarantees were outstanding (2021: none).

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2022 and 2021, the Group's unused credit line were amounted to \$5,316,240 thousand and \$6,433,463 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

Please refer to note 6(x)iii(1) for more details on currency risk exposure

2) Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Group does not actively trade in these investments as the management of the Group minimizes the risk by holding different investment portfolios. The Group assigned a specific team to supervise and assess the equity price risk so as to avoid or minimize the risk from the hedging position.

(z) Capital management

The Group sets objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interests of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

The Group's capital management strategy is consistent with the prior year, and the gearing ratio is maintained within 60% so as to ensure financing at reasonable cost. The gearing ratios on the reporting date were as follows:

|                                 | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities               | \$ 7,491,336                 | 6,758,462                    |
| Less: cash and cash equivalents | <u>3,595,681</u>             | <u>2,701,648</u>             |
| Net liabilities                 | <b>\$ 3,895,655</b>          | <b>4,056,814</b>             |
| Total equity                    | <b>\$ 10,725,483</b>         | <b>9,227,509</b>             |
| Total capital                   | <b>\$ 14,621,138</b>         | <b>13,284,323</b>            |
| Debt-to-equity ratio            | <b><u>26.64%</u></b>         | <b><u>30.54%</u></b>         |

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(aa) Investing and financing activities not affecting current cash flow

The Group did not have investing and financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021.

Reconciliation of liabilities arising from financing activities were as follows:

|  | January 1,<br>2022  | Cash flows     | Non-cash changes                |              |                                 | December<br>31, 2022 |
|--|---------------------|----------------|---------------------------------|--------------|---------------------------------|----------------------|
|  |                     |                | Foreign<br>exchange<br>movement | Others       | Changes<br>in lease<br>payments |                      |
| Short-term borrowings  | \$ 921,426          | 545,089        | -                               | -            | -                               | 1,466,515            |
| Long-term borrowings<br>(including expires<br>within one year) | 1,549,310           | (142,570)      | -                               | -            | -                               | 1,406,740            |
| Lease liabilities  | 304,151             | (127,258)      | 12,771                          | 9,692        | 29,870                          | 229,226              |
| Deposit received   | 2,347               | (130)          | -                               | -            | -                               | 2,217                |
| Total liabilities from<br>financing activities                 | <u>\$ 2,777,234</u> | <u>275,131</u> | <u>12,771</u>                   | <u>9,692</u> | <u>29,870</u>                   | <u>3,104,698</u>     |

|  | January 1,<br>2021  | Cash flows       | Non-cash changes                |                  |                                 | December<br>31, 2021 |
|--|---------------------|------------------|---------------------------------|------------------|---------------------------------|----------------------|
|  |                     |                  | Foreign<br>exchange<br>movement | Others           | Changes<br>in lease<br>payments |                      |
| Bonds payable  | \$ 778,947          | (41,900)         | -                               | (737,047)        | -                               | -                    |
| Short-term borrowings  | 1,401,954           | (480,528)        | -                               | -                | -                               | 921,426              |
| Long-term borrowings<br>(including expires<br>within one year) | 1,299,550           | 249,760          | -                               | -                | -                               | 1,549,310            |
| Lease liabilities  | 311,097             | (86,168)         | (18,961)                        | 11,847           | 86,336                          | 304,151              |
| Deposit received   | 2,382               | (35)             | -                               | -                | -                               | 2,347                |
| Total liabilities from<br>financing activities                 | <u>\$ 3,793,930</u> | <u>(358,871)</u> | <u>(18,961)</u>                 | <u>(725,200)</u> | <u>86,336</u>                   | <u>2,777,234</u>     |

**(7) Related-party transactions:**

(a) Related-party transactions

The Company is the ultimate controlling party of the Consolidated Company.

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Key management personnel compensation

Key management personnel compensation comprised:

|                                | <u>2022</u>       | <u>2021</u>    |
|--------------------------------|-------------------|----------------|
| Short-term employment benefits | \$ 258,037        | 180,313        |
| Post-employment benefits       | 1,271             | 1,308          |
| Share-based payment            | <u>5,079</u>      | <u>5,149</u>   |
|                                | <u>\$ 264,387</u> | <u>186,770</u> |

Please refer to note 6(r) for explanation related to share-based payment.

**(8) Pledged assets: None**

**(9) Commitments and contingencies:**

The guarantee notes provided by the Group to the banks were as follows:

|     | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|-----|------------------------------|------------------------------|
| TWD | \$ 2,411,900                 | 2,469,210                    |
| USD | 21,000                       | 21,000                       |

As of December 31, 2022 and 2021, the Group has unused letters of credit issued by the Group.

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events:**

To enhance the brand competitiveness and expand the business in the European label paper market, the board of directors of TSC Auto ID decided on March 15, 2023 to acquire the entire equity of MGN sp. z o.o. (hereinafter refer to as MGN), a Polish company who mainly engaged in the manufacture and sale of label paper, through its Polish subsidiary Mosfortico Investments sp. z o.o. (hereinafter refer to as Mosfortico Investments), which was established in February 2023 for investment purposes of TSC Auto ID. The provisional consideration for the share acquisition was PLN 54,000 thousand (approximately NT\$374,065 thousand) or the equivalent in euros, but the total transaction price may be adjusted based on MGN's profits in the next three years after the transaction, or the terms of the consideration and other contractual arrangements.

To support the funding for the share acquisition and future capital expenditures, the board of directors of TSC Auto ID also passed a resolution on March 15, 2023 to increase the capital of Mosfortico Investments by €15,000 thousand (approximately NT\$491,100 thousand) by authorizing the chairman of TSC Auto ID to inject the capital in batches within 1 year based on actual financial needs.

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**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
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**(12) Other:**

- (a) The information on employee benefits, depreciation, and amortization expenses, by function, is summarized as follows:

| By item                    | By function | December 31, 2022  |                    |           | December 31, 2021  |                    |           |
|----------------------------|-------------|--------------------|--------------------|-----------|--------------------|--------------------|-----------|
|                            |             | Cost of goods sold | Operating expenses | Total     | Cost of goods sold | Operating expenses | Total     |
| Employee benefits          |             |                    |                    |           |                    |                    |           |
| Salary                     |             | 1,051,476          | 1,319,205          | 2,370,681 | 920,462            | 1,155,670          | 2,076,132 |
| Labor and health insurance |             | 109,668            | 99,757             | 209,425   | 88,288             | 91,382             | 179,670   |
| Pension                    |             | 59,344             | 57,500             | 116,844   | 51,182             | 50,146             | 101,328   |
| Remuneration of directors  |             | -                  | 53,936             | 53,936    | -                  | 43,905             | 43,905    |
| Others                     |             | 94,147             | 32,308             | 126,455   | 80,081             | 29,920             | 110,001   |
| Depreciation               |             | 678,964            | 111,216            | 790,180   | 618,337            | 114,386            | 732,723   |
| Amortization               |             | 14,551             | 126,240            | 140,791   | 13,573             | 109,992            | 123,565   |

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to Consolidated Financial Statements**

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

| Number | Name of lender | Name of borrower | Account name      | Related party | Highest balance of financing to other parties during the period (Note 4) | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (Note 1) | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral |       | Individual funding loan limits (Note 2) | Maximum limit of fund financing (Note 3) |
|--------|----------------|------------------|-------------------|---------------|--|----------------|---------------------------------------|---|--|---|----------------------------------|------------------------|------------|-------|---|--|
|        |                |                  |                   |               |  |                |                                       |   |  |   |                                  |                        | Item       | Value |   |  |
| 1      | TSC Auto ID    | TSCAA            | Other receivables | Yes           | 225,505  | 214,970        | 52,207                                | 5.25 %                                    | 2  | -   | Repayment of bank loans          | -                      | None       | -     | 950,145                                 | 1,900,290                                |
| 2      | TSC Auto ID    | DLS              | Other receivables | Yes           | 322,150  | 307,100        | 168,905                               | 5.25 %                                    | 2  | -   | Repayment of bank loans          | -                      | None       | -     | 950,145                                 | 1,900,290                                |

Note 1: Necessity of short-term financing.

Note 2: Limitation on amount of loans to short-term financing company individually by TSC Auto ID is 20% of TSC Auto ID's net asset.

Note 3: Limitation on amount of loans to short-term financing company in total by TSC Auto ID is 40% of TSC Auto ID's net asset.

Note 4: Conversion at exchange rate 32.215 NTD to USD on October 30, 2022.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

| No. | Name of guarantor | Counter-party of guarantee and endorsement |  | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2) | Highest balance for guarantees and endorsements during the period (Note 4) | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (Note 3) | Parent company endorsements/guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/guarantees to third parties on behalf of parent company | Endorsements/guarantees to third parties on behalf of companies in Mainland China |
|-----|-------------------|--|--|--|--|---|---------------------------------------|---|---|---|---|---|---|
|     |                   | Name                                       | Relationship with the Company (Note 1) |  |  |   |                                       |   |   |   |   |   |   |
| 1   | TSC Auto ID       | TSCAA                                      | 2                                      | 1,900,290  | 386,580  | 368,520   | -                                     | -   | 8.14 %  | 2,850,435   | N   | N   | N   |

Note 1: Subsidiary of the Company.

Note 2: Limitation on amount of guarantees and endorsements for a specific enterprise is 40% of TSC Auto ID's net asset.

Note 3: Limitation on amount of guarantees and endorsement in total is 60% of TSC Auto ID's net asset.

Note 4: Conversion at exchange rate 32.215 NTD to USD on October 30, 2022.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

| Name of holder | Category and name of security                | Relationship with company | Account title   | Ending balance           |                |                             |            | Highest Percentage of ownership (%) | Note |
|----------------|--|---------------------------|---|--------------------------|----------------|-----------------------------|------------|-------------------------------------|------|
|                |  |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value |                                     |      |
| The Company    | Applied Wireless Identifications Group, Inc. | -                         | Financial assets at fair value through profit or loss-current                 | 243                      | -              | -                           | -          | -                                   |      |
| The Company    | Third Dimension (3D) Semiconductor, Inc.     | -                         | Financial assets at fair value through profit or loss-current                 | 921                      | -              | -                           | -          | -                                   |      |
| The Company    | Achi Capital Partners Fund LP                | -                         | Financial assets at fair value through other comprehensive income-non current | -                        | 4,157          | -                           | 4,157      | -                                   |      |

**TAIWAN SEMICONDUCTOR CO., LTD.**  
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- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Related party    | Nature of relationship | Transaction details |             |                                     |                        | Transactions with terms different from others |               | Notes/Accounts receivable (payable) |   | Note     |
|-----------------|------------------|------------------------|---------------------|-------------|-------------------------------------|------------------------|---|---------------|-------------------------------------|---|----------|
|                 |                  |                        | Purchase/Sale       | Amount      | Percentage of total purchases/sales | Payment terms (Note 1) | Unit price                                    | Payment terms | Ending balance                      | Percentage of total notes/accounts receivable (payable) |          |
| The Company     | TSCJ             | Subsidiary             | Sale                | (437,947)   | (3) %                               |                        | -   |               | 70,288                              | 2%  |          |
| The Company     | TSCH             | Subsidiary             | Sale                | (793,641)   | (5) %                               |                        | -   |               | 262,593                             | 8%  |          |
| The Company     | TSCA             | Sub-subsiary           | Sale                | (652,858)   | (4) %                               |                        | -   |               | 260,841                             | 8%  |          |
| The Company     | TSCC             | Sub-subsiary           | Sale                | (298,495)   | (2) %                               |                        | -   |               | 76,973                              | 2%  | (Note 2) |
| The Company     | TSCC             | Sub-subsiary           | Purchase            | 389,561     | 4 %                                 |                        | -   |               | -                                   | -%  |          |
| The Company     | Yangxin Everwell | Sub-subsiary           | Purchase            | 2,398,381   | 24 %                                |                        | -   |               | (331,053)                           | (20)%   | (Note 2) |
| The Company     | Tianjin Everwell | Sub-subsiary           | Purchase            | 337,368     | 3 %                                 |                        | -   |               | (7,574)                             | -%  |          |
| TSC Auto ID     | TSCAE            | Subsidiary             | Sale                | (1,209,955) | (8) %                               |                        | -   |               | 640,390                             | 19%   |          |
| TSC Auto ID     | TTSC             | Subsidiary             | Sale                | (597,482)   | (4) %                               |                        | -   |               | 66,909                              | 2%  |          |
| TSC Auto ID     | TTSC             | Subsidiary             | Purchase            | 696,558     | 7 %                                 |                        | -   |               | (158,161)                           | (10)%   |          |
| TSC Auto ID     | TSCAA            | Subsidiary             | Sale                | (655,646)   | (4) %                               |                        | -   |               | 359,305                             | 11%   |          |

Note 1: Open Account 30~135 days. Adjustments depend on demand for funds when necessary.

Note 2: Accounts payable presents at net.

Note 3: The related transaction has been written off. Please refer to Note 13(a)x.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue |              | Amounts received in subsequent period | Allowance for bad debts |
|-----------------|---------------|------------------------|----------------|---------------|---------|--------------|---------------------------------------|-------------------------|
|                 |               |                        |                |               | Amount  | Action taken |                                       |                         |
| The Company     | TSCH          | Subsidiary             | 262,593        | 2.58 %        | -       |              | 107,181                               | -                       |
| The Company     | TSCA          | Sub-subsiary           | 260,841        | 3.73 %        | -       |              | 124,615                               | -                       |
| TSC Auto ID     | TSCAE         | Subsidiary             | 640,390        | 2.24 %        | -       |              | 177,937                               | -                       |
| TSC Auto ID     | TSCAA         | Subsidiary             | 359,305        | 2.29 %        | -       |              | 90,179                                | -                       |
| TSC Auto ID     | TSCAA         | Subsidiary             | 53,148         | -             | -       |              | 52,512                                | -                       |
| TSC Auto ID     | DLS           | Subsidiary             | 168,905        | -             | -       |              | 168,095                               | -                       |
| TTSC            | TSC Auto ID   | Subsidiary             | 158,161        | 4.03 %        | -       |              | 158,161                               | -                       |

Note 1: As of audit report date.

Note 2: The related transaction has been written off. Please refer to Note 13(a)x.

- (ix) Trading in derivative instruments: Please refer to notes 6(b).
- (x) Business relationships and significant intercompany transactions:

| No. (Note 1) | Name of company | Name of counter-party | Nature of relationship | Intercompany transactions   |         |                 |  |
|--------------|-----------------|-----------------------|------------------------|-----------------------------|---------|-----------------|--|
|              |                 |                       |                        | Account name                | Amount  | Trading terms   | Percentage of the consolidated net revenue or total assets |
| 0            | The Company     | TSCE                  | 1                      | Selling expenses-commission | 138,438 | Monthly payment | 1.13%  |
| 0            | The Company     | TSCE                  | 1                      | Accrued expenses            | 37,478  |                 | 0.21%  |
| 0            | The Company     | TSCJ                  | 1                      | Sales revenue               | 437,947 | Note 3          | 3.57%  |
| 0            | The Company     | TSCJ                  | 1                      | Accounts receivable         | 70,288  |                 | 0.39%  |
| 0            | The Company     | TSCH                  | 1                      | Sales revenue               | 793,641 |                 | 6.47%  |
| 0            | The Company     | TSCH                  | 1                      | Accounts receivable         | 262,593 | Monthly payment | 1.46%  |
| 0            | The Company     | TSCH                  | 1                      | Other receivables           | 660     |                 | -%   |

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to Consolidated Financial Statements**

| No.<br>(Note 1) | Name of company  | Name of counter-party | Nature of relationship | Intercompany transactions   |           |                 | Percentage of the consolidated net revenue or total assets |
|-----------------|------------------|-----------------------|------------------------|-----------------------------|-----------|-----------------|--|
|                 |                  |                       |                        | Account name                | Amount    | Trading terms   |  |
| 0               | The Company      | TSCH                  | 1                      | Accrued expenses            | 83        |                 | -%   |
| 0               | The Company      | TSC Auto ID           | 1                      | Sales revenue               | 1,827     | Note 3          | 0.01%  |
| 0               | The Company      | TSC Auto ID           | 1                      | Accounts receivable         | 101       |                 | -%   |
| 0               | The Company      | TSC Auto ID           | 1                      | Purchase                    | 8         |                 | -%   |
| 0               | The Company      | TSCA                  | 1                      | Sales revenue               | 652,858   | Note 3          | 5.32%  |
| 0               | The Company      | TSCA                  | 1                      | Selling expenses-commission | 11,698    |                 | 0.10%  |
| 0               | The Company      | TSCA                  | 1                      | Non other income            | 21,718    |                 | 0.18%  |
| 0               | The Company      | TSCA                  | 1                      | Accounts receivable         | 260,841   |                 | 1.45%  |
| 0               | The Company      | TSCA                  | 1                      | Accrued expenses            | 994       |                 | 0.01%  |
| 0               | The Company      | TSCC                  | 1                      | Sales revenue               | 298,495   | Monthly payment | 2.43%  |
| 0               | The Company      | TSCC                  | 1                      | Accounts receivable         | 155,523   |                 | 0.86%  |
| 0               | The Company      | TSCC                  | 1                      | Other receivables           | 214       |                 | -%   |
| 0               | The Company      | TSCC                  | 1                      | Purchase                    | 389,561   |                 | 3.17%  |
| 0               | The Company      | TSCC                  | 1                      | Accounts payable            | 78,550    |                 | 0.44%  |
| 0               | The Company      | Yangxi Everwell       | 1                      | Purchase                    | 2,398,381 | Note 4          | 19.55%   |
| 0               | The Company      | Yangxi Everwell       | 1                      | Accounts payable            | 331,053   | Note 5          | 1.84%  |
| 0               | The Company      | Tianjin Everwell      | 1                      | Purchase                    | 337,368   |                 | 2.75%  |
| 0               | The Company      | Tianjin Everwell      | 1                      | Accounts payable            | 7,574     |                 | 0.04%  |
| 0               | The Company      | Tianjin Everwell      | 1                      | Other payable               | 66,435    |                 | 0.37%  |
| 0               | The Company      | Tianjin Everwell      | 1                      | Non-other income            | 1,299     |                 | 0.01%  |
| 0               | The Company      | Tianjin Everwell      | 1                      | Other receivable            | 1,299     |                 | 0.01%  |
| 1               | TSCE             | The Company           | 2                      | Sales revenue               | 138,438   | Note 3          | 1.13%  |
| 1               | TSCE             | The Company           | 2                      | Accounts receivable         | 37,478    |                 | 0.21%  |
| 2               | TSCH             | TSCE                  | 3                      | Commission expenses         | 3,045     |                 | 0.02%  |
| 2               | TSCH             | TSCE                  | 3                      | Accrued expenses            | 289       |                 | -%   |
| 3               | TSCA             | TSCAA                 | 3                      | Other payable               | 1,736     |                 | 0.01%  |
| 3               | TSCA             | TSCAA                 | 3                      | Other receivables           | 1,520     |                 | 0.01%  |
| 4               | Yangxin Everwell | The Company           | 2                      | Sales revenue               | 2,398,381 | Note 3          | 19.55%   |
| 4               | Yangxin Everwell | The Company           | 2                      | Accounts receivable         | 331,053   |                 | 1.84%  |
| 4               | Yangxin Everwell | TSCC                  | 3                      | Sales revenue               | 1,259,325 | Note 3          | 10.26%   |
| 4               | Yangxin Everwell | TSCC                  | 3                      | Accounts receivable         | 384,273   |                 | 2.14%  |
| 5               | Tianjin Everwell | The Company           | 2                      | Sales revenue               | 337,368   | Note 3          | 2.75%  |
| 5               | Tianjin Everwell | The Company           | 2                      | Accounts receivable         | 7,574     |                 | 0.04%  |
| 5               | Tianjin Everwell | The Company           | 2                      | Other receivables           | 66,435    |                 | 0.37%  |
| 5               | Tianjin Everwell | The Company           | 2                      | Purchase                    | 1,299     |                 | 0.01%  |
| 5               | Tianjin Everwell | The Company           | 2                      | Accounts payable            | 1,299     |                 | 0.01%  |
| 5               | Tianjin Everwell | Yangxin Everwell      | 3                      | Sales revenue               | 140,458   | Note 3          | 1.14%  |
| 5               | Tianjin Everwell | Yangxin Everwell      | 3                      | Accounts receivable         | 38,608    |                 | 0.21%  |
| 5               | Tianjin Everwell | TSCC                  | 3                      | Other receivables           | 732       |                 | -%   |
| 5               | Tianjin Everwell | TSCC                  | 3                      | Non-other income            | 11,695    |                 | 0.10%  |
| 5               | Tianjin Everwell | TSCC                  | 3                      | Non-other income            | 1,279     |                 | 0.01%  |

Note 1 : Representations of No. are as below:

- A. 0 is for the Company.
- B. Subsidiaries are numbered in order from 1.

Note 2: Categories of relationship with traders are as below:

- A. Parent company to subsidiary.
- B. Subsidiary to parent company.
- C. Subsidiary to subsidiary.

Note 3: Sales price is based on general market price. Collecting period is open account 90~180 days.

Note 4: Processing cost is based on cost-plus approach. Collecting period is open account 90~180 days.

Note 5: Payments due on open account 180 days after purchase.

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to Consolidated Financial Statements**

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022:

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location               | Main businesses and products   | Original investment amount |                   | Balance as of December 31, 2022 |                         |                | Highest Percentage of ownership | Net income (losses) of investee | Share of profits/losses of investee (Note1) | Note                   |
|------------------|------------------|------------------------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|---------------------------------|---|------------------------|
|                  |                  |                        |  | June 30, 2022              | December 31, 2021 | Shares (thousands)              | Percentage of ownership | Carrying value |                                 |                                 |   |                        |
| The Company      | Ever Energetic   | British Virgin Islands | Holding company and general import and export business                             | 665,501                    | 665,501           | 21,175                          | 100.00 %                | 1,559,456      | 100.00 %                        | 123,365                         | 123,365                                     | Subsidiary             |
| The Company      | Ever Winner      | British Virgin Islands | Holding company and general import and export business                             | 465,127                    | 465,127           | 16,010                          | 100.00 %                | 1,786,727      | 100.00 %                        | 322,546                         | 322,546                                     | Subsidiary             |
| The Company      | Skyrise          | British Virgin Islands | Holding company and general import and export business                             | 2,845                      | 2,845             | 50                              | 100.00 %                | 1,856          | 100.00 %                        | (46)                            | (46)  | Subsidiary             |
| The Company      | TSC E            | Germany                | General import and export business   | 10,972                     | 10,972            | -                               | 100.00 %                | 60,648         | 100.00 %                        | 25,079                          | 25,079                                      | Subsidiary             |
| The Company      | TSC J            | Japan                  | Trading of rectifiers  | 28,689                     | 28,689            | 2                               | 100.00 %                | 111,535        | 100.00 %                        | 24,262                          | 24,262                                      | Subsidiary             |
| The Company      | TSC H            | Hong Kong              | Holding company and trading of rectifiers  | 282,312                    | 282,312           | 672                             | 25.22 %                 | 604,227        | 25.22 %                         | 250,659                         | 65,405                                      | Subsidiary             |
| The Company      | TSC Auto ID      | Taiwan                 | Sale of bar code printers  | 163,728                    | 163,728           | 15,453                          | 36.35 %                 | 989,014        | 36.38 %                         | 964,909                         | 313,881                                     | Subsidiary             |
| Ever Energetic   | TSC A            | United States          | Trading of rectifiers  | 258,520                    | 258,520           | 6,750                           | 75.00 %                 | 255,215        | 75.00 %                         | 41,081                          | 30,810                                      | Subsidiary             |
| Ever Energetic   | TSC H            | Hong Kong              | Holding company and trading of rectifiers  | 571,628                    | 571,628           | 985                             | 36.96 %                 | 1,230,543      | 36.96 %                         | 250,659                         | 92,644                                      | Subsidiary             |
| Ever Winner      | TSC A            | United States          | Trading of rectifiers  | 83,813                     | 83,813            | 2,250                           | 25.00 %                 | 85,072         | 25.00 %                         | 41,081                          | 10,271                                      | Subsidiary             |
| Ever Winner      | TSC C            | Mainland China         | Trading of rectifiers  | 4,461                      | 4,461             | -                               | 100.00 %                | 367,761        | 100.00 %                        | 217,565                         | 217,564                                     | Subsidiary             |
| Ever Winner      | TSC H            | Hong Kong              | Holding company and trading of rectifiers  | 792,254                    | 792,254           | 1,008                           | 37.82 %                 | 1,259,176      | 37.82 %                         | 250,659                         | 94,799                                      | Subsidiary             |
| TSC H            | Yangxin Everwell | Mainland China         | Manufacture and sale of rectifiers   | 966,119                    | 966,119           | -                               | 100.00 %                | 2,345,565      | 100.00 %                        | 144,876                         | 144,876                                     | Subsidiary             |
| TSC H            | Tianjin Everwell | Mainland China         | Manufacture and sale of wafers   | 787,044                    | 787,044           | -                               | 100.00 %                | 671,745        | 100.00 %                        | 31,270                          | 31,270                                      | Subsidiary             |
| TSC Auto ID      | TSC A E          | Germany                | Trading of bar code printers and other parts                                       | 2,943                      | 2,943             | -                               | 100.00 %                | (18,046)       | 100.00 %                        | 9,583                           | 9,583                                       | Subsidiary             |
| TSC Auto ID      | TSC A A          | United States          | Trading of bar code printers and other parts                                       | 1,096,621                  | 1,096,621         | 16,000                          | 100.00 %                | 1,077,842      | 100.00 %                        | 36,363                          | 36,363                                      | Subsidiary             |
| TSC Auto ID      | TSC H K          | Hong Kong              | Holding company and general import and export business                             | 51,738                     | 51,738            | 11,711                          | 100.00 %                | 570,382        | 100.00 %                        | 96,380                          | 96,380                                      | Subsidiary<br>(Note 1) |
| TSC Auto ID      | Printronix AD    | Taiwan                 | Trading of bar code printers and other parts                                       | 5,000                      | 5,000             | 500                             | 100.00 %                | 5,259          | 100.00 %                        | (167)                           | (167)                                       | Subsidiary             |
| TSC Auto ID      | PTNX US          | United States          | Trading of bar code printers and other parts                                       | -                          | 63,021            | -                               | -                       | -              | 5.00 %                          | 8,786                           | (326)                                       | Subsidiary             |
| TSC Auto ID      | DLS              | United States          | Customization of design, integration and marketing of label papers and other parts | 801,558                    | 801,558           | 1                               | 100.00 %                | 1,224,938      | 100.00 %                        | 188,610                         | 188,610                                     | Subsidiary             |
| TSC Auto ID      | TSC IN           | India                  | Trading of bar code printers and other parts                                       | 2,791                      | 2,791             | 710                             | 100.00 %                | 1,601          | 100.00 %                        | (989)                           | (989)                                       | Subsidiary             |
| TSC A E          | TSC A D          | United Arab Emirates   | Trading of bar code printers and other parts                                       | 8,234                      | 8,234             | -                               | 100.00 %                | (8,234)        | 100.00 %                        | (928)                           | (928)                                       | Subsidiary             |
| TSC A E          | TSC A S          | Spain                  | Trading of bar code printers and other parts                                       | 124                        | 124               | -                               | 100.00 %                | 2,660          | 100.00 %                        | 337                             | 337   | Subsidiary             |
| TSC A A          | PTNX US          | United States          | Trading of bar code printers and other parts                                       | -                          | 45,319            | -                               | -                       | -              | 95.00 %                         | 8,786                           | (6,186)                                     | Subsidiary             |
| DLS              | PPL              | United States          | Sale of bar code printer, label papers, other parts                                | 115                        | 115               | 850                             | 100.00 %                | 29,886         | 100.00 %                        | 15,282                          | 15,282                                      | Subsidiary             |
| TSC H K          | ITSC             | Mainland China         | Manufacture and sale of bar code printers and other parts                          | 46,065                     | 46,065            | -                               | 100.00 %                | 608,375        | 100.00 %                        | 96,048                          | 96,048                                      | Subsidiary             |

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to Consolidated Financial Statements**

| Name of investor | Name of investee | Location       | Main businesses and products              | Original investment amount |                   | Balance as of December 31, 2022 |                         |                | Highest Percentage of ownership | Net income (losses) of investee | Share of profits/losses of investee (Note1) | Note       |
|------------------|------------------|----------------|---|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|---------------------------------|---|------------|
|                  |                  |                |   | June 30, 2022              | December 31, 2021 | Shares (thousands)              | Percentage of ownership | Carrying value |                                 |                                 |   |            |
| TSC HK           | SPTNX            | Mainland China | Sale of bar code printers and other parts | 4,729                      | 4,729             | -                               | 100.00 %                | 6,023          | 100.00 %                        | 331                             | 331   | Subsidiary |

Note 1: Calculated by equity according to investee's audited financial report.

Note 2: The 5% shareholding was transferred to TSCAA on July 1, 2022 due to the restructuring in the Group.

Note 3: TSCAA has merged the shares of PTNS US on July 1, 2022.

(c) Information on overseas branches and representative offices:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

| Name of investee | Main businesses and products                              | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2022 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Net income (losses) of the investee | Percentage of ownership | Highest Percentage of ownership | Investment income (losses) | Book value | Accumulated remittance of earnings in current period |
|------------------|---|---------------------------------|----------------------|---|------------------|--------|---|-------------------------------------|-------------------------|---------------------------------|----------------------------|------------|--|
|                  |   |                                 |                      |   | Outflow          | Inflow |   |                                     |                         |                                 |                            |            |  |
| TSCC             | Trading of rectifiers                                     | 4,461                           | (3)                  | 4,461   | -                | -      | 4,461   | 217,565                             | 100.00%                 | 100.00 %                        | 217,565                    | 367,761    | 264,730  |
| Yangxin Everwell | Manufacture and sale of rectifiers                        | 1,667,160                       | (3)                  | 628,196   | -                | -      | 628,196   | 144,876                             | 100.00%                 | 100.00 %                        | 144,876                    | 2,345,565  | 250,864  |
| Tianjin Everwell | Manufacture and sale of wafers                            | 387,173                         | (3)                  | 387,173   | -                | -      | 387,173   | 31,270                              | 100.00%                 | 100.00 %                        | 31,270                     | 671,745    | 452,102  |
| TTSC             | Manufacture and sale of bar code printers and other parts | 46,284                          | (3)                  | 46,065  | -                | -      | 46,065  | 96,048                              | 36.35%                  | 36.38 %                         | 34,913                     | 608,375    | 787,814  |
| SPTNX            | Sale of bar code printers and other parts                 | 4,408                           | (3)                  | 4,729   | -                | -      | 4,729   | 331                                 | 36.35%                  | 36.38 %                         | 120                        | 6,023      | -  |

Note 1: Invest company in mainland China through the investment on company located at the third.

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| 1,012,494  | 1,995,214  | 4,837,159                 |

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Unit: share

| Shareholder's Name                             | Shareholding | Shares     | Percentage |
|--|--------------|------------|------------|
| TSC Auto ID Technology Co., Ltd. (TSC Auto ID) |              | 14,800,000 | 5.61 %     |

Note (i): The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note (ii): If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

|   | <b>2022</b>          |                              |   |                   |
|---|----------------------|------------------------------|---|-------------------|
|   | <b>Rectifiers</b>    | <b>Bar Code<br/>Printers</b> | <b>Adjustments<br/>and<br/>eliminations</b> | <b>Total</b>      |
| <b>Revenue:</b>                         |                      |                              |   |                   |
| Revenue from external customer          | \$ 7,720,269         | 7,966,865                    | -   | 15,687,134        |
| Intersegment revenues                   | 6,850,654            | 53                           | (6,850,707)                                 | -                 |
| Interest income                         | 15,810               | 4,082                        | -   | 19,892            |
| <b>Total revenue</b>                    | <b>\$ 14,586,733</b> | <b>7,971,000</b>             | <b>(6,850,707)</b>                          | <b>15,707,026</b> |
| Interest expenses                       | \$ 9,814             | 28,516                       | -   | 38,330            |
| Depreciation and amortization           | 657,123              | 273,848                      | -   | 930,971           |
| <b>Reported segment profit and loss</b> | <b>\$ 1,703,536</b>  | <b>1,347,394</b>             | <b>(37,000)</b>                             | <b>3,013,930</b>  |
|   | <b>2021</b>          |                              |   |                   |
|   | <b>Rectifiers</b>    | <b>Bar Code<br/>Printers</b> | <b>Adjustments<br/>and<br/>eliminations</b> | <b>Total</b>      |
| <b>Revenue:</b>                         |                      |                              |   |                   |
| Revenue from external customer          | \$ 6,328,698         | 6,848,719                    | -   | 13,177,417        |
| Intersegment revenues                   | 6,179,114            | 89                           | (6,179,203)                                 | -                 |
| Interest income                         | 10,151               | 4,390                        | -   | 14,541            |
| <b>Total revenue</b>                    | <b>\$ 12,517,963</b> | <b>6,853,198</b>             | <b>(6,179,203)</b>                          | <b>13,191,958</b> |
| Interest expenses                       | \$ 5,346             | 25,565                       | -   | 30,911            |
| Depreciation and amortization           | 600,011              | 256,277                      | -   | 856,288           |
| <b>Reported segment profit and loss</b> | <b>\$ 885,129</b>    | <b>1,082,903</b>             | <b>(20,400)</b>                             | <b>1,947,632</b>  |
|   | <b>Rectifiers</b>    | <b>Bar Code<br/>Printers</b> | <b>Adjustments<br/>and<br/>eliminations</b> | <b>Total</b>      |
| <b>Reported segment assets</b>          |                      |                              |   |                   |
| December 31, 2022                       | \$ 24,369,174        | 8,294,769                    | (14,447,124)                                | 18,216,819        |
| December 31, 2021                       | \$ 21,448,464        | 7,670,091                    | (13,132,584)                                | 15,985,971        |
| <b>Reported segment liabilities</b>     |                      |                              |   |                   |
| December 31, 2022                       | \$ 5,877,524         | 3,544,044                    | (1,930,232)                                 | 7,491,336         |
| December 31, 2021                       | \$ 5,237,770         | 3,581,948                    | (2,061,256)                                 | 6,758,462         |

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(a) Information about the product

Revenue from external customers of the Group was as follows:

| <u>Products</u>   | <u>2022</u>          | <u>2021</u>       |
|-------------------|----------------------|-------------------|
| Rectifiers        | \$ 7,720,269         | 6,328,698         |
| Bar code printers | 7,966,865            | 6,848,719         |
| Total             | <u>\$ 15,687,134</u> | <u>13,177,417</u> |

(b) Geographical information

In presenting the information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

| <u>Geographical information</u>  | <u>2022</u>          | <u>2021</u>       |
|----------------------------------|----------------------|-------------------|
| Revenue from external customers: |                      |                   |
| Asia                             | \$ 6,901,855         | 6,074,567         |
| Americas                         | 5,240,751            | 4,035,656         |
| Europe                           | 3,438,214            | 2,936,254         |
| Other countries                  | 106,314              | 130,940           |
| Total                            | <u>\$ 15,687,134</u> | <u>13,177,417</u> |

| <u>Geographical information</u> | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|---------------------------------|------------------------------|------------------------------|
| Non-current assets:             |                              |                              |
| Asia                            | \$ 4,643,621                 | 4,704,889                    |
| Europe                          | 1,931,975                    | 28,788                       |
| Americas                        | 24,670                       | 1,856,340                    |
|                                 | <u>\$ 6,600,266</u>          | <u>6,590,017</u>             |

Non-current assets include property, plant and equipment, intangible assets, and other assets, not including financial instruments and deferred tax assets.

(c) Information about major customers

Because the Group has a broad customer base, there is no significant transaction focus on a single customer, and there is no sales revenue from a single customer constituting over 10% of the total operating revenue.



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## Independent Auditors' Report

To the Board of Directors of TAIWAN SEMICONDUCTOR CO., LTD.:

### Opinion

We have audited the financial statements of TAIWAN SEMICONDUCTOR CO., LTD. ("the Company"), which comprise the statement of balance sheet as of December 31, 2022 and 2021, and the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China "the code", and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Other Matter

We did not audit the financial statements of TSC Auto ID Technology Co., Ltd. (TSC Auto ID) of which represented investment accounted for using the equity method of the Company. Those statements were audited by the other Certified Public Accountants whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for TSC Auto ID, is based solely on the report of the other Certified Public Accountants. The investment in TSC Auto ID amounted for using the equity method constituting 8.68% and 8.26% of the total assets at December 31, 2022 and 2021, respectively, and the related share of profit of subsidiaries accounted for using the equity method constituting 17.16% and 26.34% of the total income before tax for the years then ended respectively.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## 1. Valuation of accounts receivable

Please refer to Note 4(f) “Financial instruments” of the financial statements for details on the accounting policy about valuation on accounts receivable; Note 5 “Assessment of impairment of trade receivable” for details on the significant accounting assumptions and judgments, and major sources of the estimation uncertainty on accounts receivable; and Note 6(c) “Notes and accounts receivable” for details on the related explanation.

### Description of key audit matter:

The Company has transactions with a large number of customers and the accounts receivable collection days differ in length. As a result, the expected credit loss determined for accounts receivable lies in the management’s subjective judgment based on experience. Therefore, the accounts receivable of the Company is one of our key audit matters.

How the matter was addressed in our audit:

Our key audit procedures included (i) analyzing the reasonableness of the accounts receivable at the year-end and considering the collection subsequent to the year-end. (ii) verifying the adequacy of the Company’s expected credit loss provisions against trade receivables by assessing the relevant assumptions. (iii) taking account of our own knowledge on recent collections experience in this industry and also historical data from the Company’s previous collections experience in order to assess the reasonableness of the expected credit loss for accounts receivable. Besides, we assessed that the valuation of accounts receivable was disclosed the notes to the parent Company only financial statements properly.

## 2. Impairment on investment accounted for using the equity method

Please refer to Note 4(h) “Investment in subsidiaries” of the financial statements for the details on the accounting policy about investments accounted for using equity method; Note 6(e) “investments accounted for using equity method” for details on the related explanation.

### Description of key audit matter:

When the Company obtained the business combinations and its control, and recognized a goodwill in the consolidated financial report, the amount is regarded as material. Besides, evaluating whether goodwill is impaired depends on the estimation of the future cash flow of the cash-generating unit to determine the recoverable amount. The estimation of the future cash flow involves industrial environment and the forecast of the future operating results. Once the indicators of the forecast change, the recoverable amount will change as well and may cause an impairment loss. Due to the investments are the important investees and the amount is regarded as material. Therefore, the impairment on investment amounted for using the equity method is our of key audit matters.

How the matter was addressed in our audit:

Our key audit procedures included: (i) obtaining the assessment on impairment loss of goodwill report provided by the evaluator appointed by the management of TSC, as well as inquiring and assessing the professional ability and independence. (ii) appointing the internal expert to execute the related procedures to assess the reasonableness of the assumption used in the evaluation model and weighted average cost of capital. (iii) evaluating the previous operating conditions, the conditions of industrial environment and future outlook, etc. in order to comprehensively determine the reasonableness of the assessment on impairment loss of goodwill.

The adoption of the independent auditor’s reports of TSC Auto ID issued by other Certified Public Accountants included (i) communication of the related issue with other Certified Public Accountants, which included sending audit instruction to other Certified Public Accountants and obtaining the independent auditor’s report of TSC Auto ID issued by other Certified Public Accountants.



The audit procedure executed by other Certified Public Accountants included (i) obtaining the report of the assessment of impairment loss of goodwill provided by the evaluation expert appointed by the management of TSC Auto ID. (ii) understanding and assessing the reasonableness of the recoverable amount based on the evaluation model. (iii) comprehensively assessing the reasonableness of the assessment of impairment loss of goodwill based on the assumption used in the evaluation model, including sales growth rate, profit margin, weighted average cost of capital (WACC, which includes risk-free return rate, volatility and risk premium), etc. and assessing the previous operating conditions, the conditions of industrial environment and future outlook.

Our audit procedure also compare the difference of the investment amounted and the net assets of TSC Auto ID (according to our ownership share) and observe TSC Auto ID 's stock price. In addition, (ii) we assessed the related information was disclosed in the notes to the parent Company only financial statements properly.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Mei, Yuan-Chen and Hsu, Yu-Feng.

KPMG

Taipei, Taiwan (Republic of China)  
March 15, 2023

#### Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
TAIWAN SEMICONDUCTOR CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

|      |   | 2022                |           | 2021             |            |
|------|---|---------------------|-----------|------------------|------------|
|      |   | Amount              | %         | Amount           | %          |
| 4110 | Total sales revenue (notes 6(n) and 7)  | \$ 5,755,056        | 101       | 4,851,282        | 101        |
| 4190 | Less: Sales discounts and allowances  | <u>55,901</u>       | <u>1</u>  | <u>47,805</u>    | <u>1</u>   |
|      | <b>Net operating revenues</b>   | 5,699,155           | 100       | 4,803,477        | 100        |
| 5000 | Cost of goods sold (notes 6(d) and 7)   | <u>4,058,148</u>    | <u>71</u> | <u>3,896,023</u> | <u>81</u>  |
|      | <b>Gross profit</b>   | 1,641,007           | 29        | 907,454          | 19         |
| 5910 | Less: Unrealized profit (loss) from sales   | <u>53,444</u>       | <u>1</u>  | <u>3,081</u>     | <u>-</u>   |
|      |   | <u>1,587,563</u>    | <u>28</u> | <u>904,373</u>   | <u>19</u>  |
| 6000 | <b>Operating expenses (note 7):</b>   |                     |           |                  |            |
| 6100 | Selling expenses  | 438,244             | 8         | 388,376          | 8          |
| 6200 | Administrative expenses   | 297,659             | 5         | 202,130          | 4          |
| 6300 | Research and development expenses   | <u>81,604</u>       | <u>1</u>  | <u>56,976</u>    | <u>1</u>   |
|      |   | <u>817,507</u>      | <u>14</u> | <u>647,482</u>   | <u>13</u>  |
|      | <b>Operating income</b>   | <u>770,056</u>      | <u>14</u> | <u>256,891</u>   | <u>6</u>   |
|      | <b>Non-operating income and expenses (notes 6(o) and 7):</b>  |                     |           |                  |            |
| 7100 | Interest income   | 3,635               | -         | 1,421            | -          |
| 7010 | Other income  | 28,629              | 1         | 7,485            | -          |
| 7020 | Other gains and losses  | 164,096             | 3         | 12,203           | -          |
| 7050 | Finance costs   | (11,349)            | -         | (6,775)          | -          |
| 7070 | Share of profit of subsidiaries accounted for using equity method<br>(note 6(e))  | <u>874,492</u>      | <u>15</u> | <u>734,675</u>   | <u>15</u>  |
|      |   | <u>1,059,503</u>    | <u>19</u> | <u>749,009</u>   | <u>15</u>  |
|      | <b>Profit before tax</b>  | 1,829,559           | 33        | 1,005,900        | 21         |
| 7950 | <b>Less: Income tax expenses (note 6(l))</b>  | <u>266,672</u>      | <u>5</u>  | <u>123,095</u>   | <u>3</u>   |
|      | <b>Profit</b>   | <u>1,562,887</u>    | <u>28</u> | <u>882,805</u>   | <u>18</u>  |
| 8300 | <b>Other comprehensive income:</b>  |                     |           |                  |            |
| 8310 | <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>  |                     |           |                  |            |
| 8311 | Gains (losses) on remeasurements of defined benefit plans<br>(note 6(k))  | 2,549               | -         | (1,247)          | -          |
| 8330 | Share of other comprehensive income of subsidiaries accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | <u>1,752</u>        | <u>-</u>  | <u>(191)</u>     | <u>-</u>   |
|      |   | <u>4,301</u>        | <u>-</u>  | <u>(1,438)</u>   | <u>-</u>   |
| 8360 | <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>  |                     |           |                  |            |
| 8361 | Exchange differences on translation of foreign financial statements   | <u>171,567</u>      | <u>3</u>  | <u>(71,825)</u>  | <u>(1)</u> |
| 8300 | <b>Other comprehensive income (after tax)</b>   | <u>175,868</u>      | <u>3</u>  | <u>(73,263)</u>  | <u>(1)</u> |
|      | <b>Comprehensive income</b>   | <u>\$ 1,738,755</u> | <u>31</u> | <u>809,542</u>   | <u>17</u>  |
|      | <b>Basic earnings per common share (NT dollars) (note 6(q))</b>   | <u>\$ 6.28</u>      |           | <u>3.55</u>      |            |
|      | <b>Diluted earnings per common share (NT dollars) (note 6(q))</b>   | <u>\$ 6.23</u>      |           | <u>3.52</u>      |            |

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**TAIWAN SEMICONDUCTOR CO., LTD.**

**Statements of Changes in Equity**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

|  | Share capital   |                                    |                 | Retained earnings |                 |                                  |                         | Total other equity interest   | Treasury shares | Total equity |
|--|-----------------|------------------------------------|-----------------|-------------------|-----------------|----------------------------------|-------------------------|---|-----------------|--------------|
|  | Ordinary shares | Advance receipts for share capital | Capital surplus | Legal reserve     | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements |                 |              |
| <b>Balance at January 1, 2021</b>  | \$ 2,494,539    | 22,196                             | 1,516,265       | 830,920           | 445,618         | 1,484,440                        | 2,760,978               | (459,300)   | (506,990)       | 5,827,688    |
| Net income   | -               | -                                  | -               | -                 | -               | 882,805                          | 882,805                 | -   | -               | 882,805      |
| Other comprehensive income   | -               | -                                  | -               | -                 | -               | (1,438)                          | (1,438)                 | (71,825)  | -               | (73,263)     |
| Total comprehensive income   | -               | -                                  | -               | -                 | -               | 881,367                          | 881,367                 | (71,825)  | -               | 809,542      |
| Conversion of convertible bands  | 156,315         | (22,196)                           | 604,864         | -                 | -               | -                                | -                       | -   | -               | 738,983      |
| Appropriation and distribution of retained earnings:                                 |                 |                                    |                 |                   |                 |                                  |                         |   |                 |              |
| Provision of legal reserve   | -               | -                                  | -               | 53,967            | -               | (53,967)                         | -                       | -   | -               | -            |
| Provision of special reserve   | -               | -                                  | -               | -                 | 13,682          | (13,682)                         | -                       | -   | -               | -            |
| Cash dividends   | -               | -                                  | -               | -                 | -               | (395,228)                        | (395,228)               | -   | -               | (395,228)    |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | -               | -                                  | 20,400          | -                 | -               | -                                | -                       | -   | -               | 20,400       |
| Changes in equity of affiliate accounted for using equity method                     | -               | -                                  | 25,270          | -                 | -               | -                                | -                       | -   | -               | 25,270       |
| <b>Balance at December 31, 2021</b>  | 2,650,854       | -                                  | 2,166,799       | 884,887           | 459,300         | 1,902,930                        | 3,247,117               | (531,125)   | (506,990)       | 7,026,655    |
| Net income   | -               | -                                  | -               | -                 | -               | 1,562,887                        | 1,562,887               | -   | -               | 1,562,887    |
| Other comprehensive income   | -               | -                                  | -               | -                 | -               | 4,301                            | 4,301                   | 171,567   | -               | 175,868      |
| Total comprehensive income   | -               | -                                  | -               | -                 | -               | 1,567,188                        | 1,567,188               | 171,567   | -               | 1,738,755    |
| Retirement of treasury shares  | (16,000)        | -                                  | (69,482)        | -                 | -               | -                                | -                       | -   | 85,482          | -            |
| Subsidiaries purchase of treasury shares   | -               | -                                  | -               | -                 | -               | -                                | -                       | -   | (84,535)        | (84,535)     |
| Appropriation and distribution of retained earnings:                                 |                 |                                    |                 |                   |                 |                                  |                         |   |                 |              |
| Provision of legal reserve   | -               | -                                  | -               | 88,137            | -               | (88,137)                         | -                       | -   | -               | -            |
| Provision of special reserve   | -               | -                                  | -               | -                 | 71,825          | (71,825)                         | -                       | -   | -               | -            |
| Cash dividends   | -               | -                                  | -               | -                 | -               | (658,714)                        | (658,714)               | -   | -               | (658,714)    |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | -               | -                                  | 37,000          | -                 | -               | -                                | -                       | -   | -               | 37,000       |
| Changes in equity of affiliate accounted using equity method                         | -               | -                                  | 2,771           | -                 | -               | -                                | -                       | -   | -               | 2,771        |
| <b>Balance at December 31, 2022</b>  | \$ 2,634,854    | -                                  | 2,137,088       | 973,024           | 531,125         | 2,651,442                        | 4,155,591               | (359,558)   | (506,043)       | 8,061,932    |

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
TAIWAN SEMICONDUCTOR CO., LTD.

Statements of Cash Flows  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

|   | 2022                | 2021             |
|---|---------------------|------------------|
| <b>Cash flows from (used in) operating activities:</b>                                  |                     |                  |
| Profit before tax   | \$ 1,829,559        | 1,005,900        |
| <b>Adjustments:</b>   |                     |                  |
| <b>Adjustments to reconcile profit (loss):</b>  |                     |                  |
| Depreciation expense  | 319,548             | 319,368          |
| Amortization expense  | 48,443              | 37,443           |
| Net loss on financial assets or liabilities at fair value through profit or loss        | 1,701               | 1,966            |
| Interest expense  | 9,810               | 5,341            |
| Interest income   | (3,635)             | (1,421)          |
| Share of profit of subsidiaries accounted for using equity method                       | (874,492)           | (734,675)        |
| Gain on disposal of property, plan and equipment  | (2,792)             | (819)            |
| Others  | 53,444              | 3,081            |
| <b>Total adjustments to reconcile profit (loss)</b>                                     | <u>(447,973)</u>    | <u>(369,716)</u> |
| <b>Changes in operating assets and liabilities:</b>                                     |                     |                  |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | 150,593             | (149,691)        |
| (Increase) decrease in notes receivable   | 479                 | (498)            |
| (Increase) decrease in accounts receivable  | 100,374             | (251,660)        |
| Increase in accounts receivable due from related parties                                | (111,821)           | (169,242)        |
| Increase in other receivable  | (13,231)            | (13,695)         |
| Increase in inventories   | (433,884)           | (151,930)        |
| (Increase) decrease in other current assets   | (40,096)            | 7,708            |
| Decrease in notes payable   | (1,607)             | (45)             |
| Increase in accounts payable  | 168,248             | 109,498          |
| Increase (decrease) in accounts payable to related parties                              | (325,609)           | 131,409          |
| Increase in other payable   | 637                 | 296              |
| Increase (decrease) in other payable to related parties                                 | (16,772)            | 27,224           |
| Increase in other current liabilities   | 123,740             | 99,561           |
| Decrease in net defined benefit liability   | (462)               | (577)            |
| <b>Total adjustments</b>  | <u>(847,384)</u>    | <u>(731,358)</u> |
| Cash inflow generated from operations   | 982,175             | 274,542          |
| Interest received   | 3,179               | 1,439            |
| Dividends received  | 250,906             | 356,977          |
| Interest paid   | (10,913)            | (5,761)          |
| Income taxes paid   | (140,144)           | (74,360)         |
| <b>Net cash flows from operating activities</b>   | <u>1,085,203</u>    | <u>552,837</u>   |
| <b>Cash flows from (used in) investing activities:</b>                                  |                     |                  |
| Acquisition of financial assets at fair value through other comprehensive income        | (4,157)             | -                |
| Acquisition of property, plant and equipment  | (52,494)            | (46,996)         |
| Proceeds from disposal of property, plant and equipment                                 | 3,475               | 713              |
| Acquisition of intangible assets  | (21,449)            | (27,475)         |
| (Increase) decrease in other non-current assets   | (2,617)             | 13,199           |
| Increase in prepayments for equipment   | (133,453)           | (53,363)         |
| <b>Net cash flows used in investing activities</b>                                      | <u>(210,695)</u>    | <u>(113,922)</u> |
| <b>Cash flows from (used in) financing activities:</b>                                  |                     |                  |
| Increase (decrease) in short-term loans   | 219,280             | (236,240)        |
| Repayments of convertible bonds   | -                   | (41,900)         |
| Proceeds from long-term borrowings  | 139,320             | 379,760          |
| Repayments of long-term borrowings  | (1,890)             | -                |
| Cash dividends paid   | (658,714)           | (395,228)        |
| <b>Net cash flows used in financing activities</b>                                      | <u>(302,004)</u>    | <u>(293,608)</u> |
| <b>Net increase in cash and cash equivalents</b>  | 572,504             | 145,307          |
| <b>Cash and cash equivalents at the beginning of period</b>                             | 567,039             | 421,732          |
| <b>Cash and cash equivalents at the end of period</b>                                   | <u>\$ 1,139,543</u> | <u>567,039</u>   |

(English Translation of Parent Company Only Financial Statements Financial Statements Originally Issued in Chinese)

**TAIWAN SEMICONDUCTOR CO., LTD.**

**Notes to the Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

TAIWAN SEMICONDUCTOR CO., LTD. (“the Company”) was incorporated in January 1979 under the Company Act of the Republic of China. Its major business activities are the manufacture and sale of rectifiers and bar code printers. The Company’s common stock has been officially listed and traded on the GreTai Securities Market starting from February 2000.

In order to improve operating efficiency and industry competitiveness from specialization, the Company restructured its business and organization. The Company separated its bar code printer business unit from itself and transferred it to establish TSC Auto ID Technology Co., Ltd. (TSC Auto ID). The board of directors’ meeting approved August 1, 2007, as the date of record of the split.

The Company primarily is involved in the manufacture and sale of rectifiers.

**(2) Approval date and procedures of the financial statements:**

The financial statements were authorized for issue by the Board of Directors on March 15, 2023.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities are measured at present value of the defined benefit obligation less the fair value of the plan assets.

- (ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity operates. The Company’s financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's functional currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other asset are classified as non-current.

- (i) It is expected to be realized, or intends to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled the liability in the normal operating cycle;

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## TAIWAN SEMICONDUCTOR CO., LTD.

### Notes to the Financial Statements

- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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## TAIWAN SEMICONDUCTOR CO., LTD.

### Notes to the Financial Statements

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

#### 2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

#### 3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### 4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), and contract assets.

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## TAIWAN SEMICONDUCTOR CO., LTD.

### Notes to the Financial Statements

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 90 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

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## TAIWAN SEMICONDUCTOR CO., LTD.

### Notes to the Financial Statements

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### 5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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## TAIWAN SEMICONDUCTOR CO., LTD.

### Notes to the Financial Statements

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

#### 2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

#### 3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

#### 4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### (iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

In preparing the separate financial statement of the Company, investee companies controlled by the Company are accounted for using the equity method. Under the equity method, the Company's profit or loss and other comprehensive income are the same as the profit or loss and other comprehensive income attributable to the owners in the consolidated financial statements. The equity balance in the separate financial statements is the same as the equity balance in the financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings and improvements: 5~56 years.
- 2) Machinery and equipment: 3~15 years.
- 3) Transportation equipment: 4~11 years.
- 4) Office equipment and others: 4~11 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
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The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities or short-term leases of transport and office equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
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If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(k) Intangible assets

Other intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortization is calculated over the cost of the asset, less its residual value. Intangible assets useful lives are as follows:

Computer software: 1~5 years

The Company shall inspect the residual values, useful lives and amortization methods of the intangible assets at least once at each annual reporting date. If there are any changes to intangible assets, they will be regarded as changes in accounting estimate.

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(m) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
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1) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

The related refund obligation of the Company based on the estimated sales award is separately recognized in the balance sheet.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;

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## TAIWAN SEMICONDUCTOR CO., LTD.

### Notes to the Financial Statements

- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

#### (n) Employee benefits

##### (i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

##### (ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
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(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Share-based payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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## TAIWAN SEMICONDUCTOR CO., LTD.

### Notes to the Financial Statements

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### (q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

#### (r) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no segmental information was disclosed in the separate financial statement.

#### **(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

In preparing the financial statements, the FSC requires management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

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Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic.

Assessment of impairment of trade receivable

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(c).

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

|                              | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|------------------------------|------------------------------|------------------------------|
| Cash and petty cash          | \$ 163                       | 182                          |
| Checking and demand deposits | 742,594                      | 425,790                      |
| Time deposits                | 396,786                      | 141,067                      |
|                              | <b>\$ 1,139,543</b>          | <b>567,039</b>               |

Please refer to note 6(s) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets and liabilities at fair value through profit or loss

(i) The financial instruments held by the Company were as follows:

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|------------------------------|------------------------------|
| Current:   |                              |                              |
| Mandatorily measured at fair value through profit or loss: |                              |                              |
| Beneficiary certificates                                   | \$ -                         | 150,032                      |
| Forward exchange contracts                                 | -                            | 1,974                        |
|  | <b>\$ -</b>                  | <b>152,006</b>               |
| Non-current:   |                              |                              |
| Measured at fair value through other comprehensive income: |                              |                              |
| Fund in foreign markets                                    | <b>\$ 4,157</b>              | -                            |
| Other financial assets:                                    |                              |                              |
| Refundable deposits  | <b>\$ 67,718</b>             | <b>55,415</b>                |

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|------------------------------|------------------------------|
| Current:   |                              |                              |
| Mandatorily measured at fair value through profit or loss: |                              |                              |
| Forward exchange contracts                                 | \$ <u>408</u>                | <u>120</u>                   |

Please refer to note 6(s) for the disclosures of credit risk exposures, currency risk exposures, and interest rate risk exposures.

- (ii) The Company uses derivative financial instruments to hedge certain foreign exchange exposures arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss:

| <b>December 31, 2022</b> |     |                        |        |                 |                        |
|--------------------------|-----|------------------------|--------|-----------------|------------------------|
|                          |     | <b>Contract amount</b> |        | <b>Currency</b> | <b>Contract period</b> |
| Selling/buying forward   | EUR | 500 /USD               | 521    | EUR to USD      | 2023.02.17             |
| <b>December 31, 2021</b> |     |                        |        |                 |                        |
|                          |     | <b>Contract amount</b> |        | <b>Currency</b> | <b>Contract period</b> |
| Selling/buying forward   | USD | 6,000 /CNY             | 38,720 | USD to CNY      | 2022.01~2022.02        |

- (iii) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for the long term strategic purposes.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2022 and 2021.

- (c) Notes and accounts receivable

|                      | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|----------------------|------------------------------|------------------------------|
| Notes receivable     | \$ 52                        | 531                          |
| Accounts receivable  | 630,576                      | 731,353                      |
| Less: Loss allowance | <u>(12,560)</u>              | <u>(12,963)</u>              |
|                      | <b><u>\$ 618,068</u></b>     | <b><u>718,921</u></b>        |

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
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The loss allowance provision in Rectifiers was determined as follows:

|                        | <b>December 31, 2022</b>         |  |                                     |
|------------------------|----------------------------------|--|-------------------------------------|
|                        | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Current                | \$ 575,575                       | 1.85 %                                     | 10,655                              |
| 1~90 days past due     | 54,161                           | 3 %  | 1,625                               |
| 91~180 days past due   | 644                              | 5 %  | 32                                  |
| 271~365 days past due  | 196                              | 100 %                                      | 196                                 |
| Over 365 days past due | <u>52</u>                        | 100 %                                      | <u>52</u>                           |
|                        | <b><u>\$ 630,628</u></b>         |  | <b><u>12,560</u></b>                |

|                       | <b>December 31, 2021</b>         |  |                                     |
|-----------------------|----------------------------------|--|-------------------------------------|
|                       | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average<br/>loss rate</b> | <b>Loss allowance<br/>provision</b> |
| Current               | \$ 696,613                       | 1.71 %                                     | 11,903                              |
| 1~90 days past due    | 35,250                           | 3 %  | 1,058                               |
| 271~365 days past due | <u>21</u>                        | 10 %                                       | <u>2</u>                            |
|                       | <b><u>\$ 731,884</u></b>         |  | <b><u>12,963</u></b>                |

The movement in the allowance for notes and trade receivable was as follows:

|                                       | <b>2022</b>             | <b>2021</b>          |
|---------------------------------------|-------------------------|----------------------|
| Balance on January 1, 2022 and 2021   | \$ 12,963               | 12,984               |
| Impairment losses reversed            | <u>(403)</u>            | <u>(21)</u>          |
| Balance on December 31, 2022 and 2021 | <b><u>\$ 12,560</u></b> | <b><u>12,963</u></b> |

The Company does not regard as any collateral or discount for notes and trade receivable.

(d) Inventories

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|------------------------------|------------------------------|
| Finished goods                                   | \$ 772,312                   | 476,972                      |
| Less: provision for obsolescence and devaluation | <u>(199,002)</u>             | <u>(113,333)</u>             |
|  | <u>573,310</u>               | <u>363,639</u>               |
| Work in process                                  | 268,219                      | 153,555                      |
| Less: provision for obsolescence and devaluation | <u>(41,570)</u>              | <u>(36,008)</u>              |
|  | <u>226,649</u>               | <u>117,547</u>               |

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|  | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|--|------------------------------|------------------------------|
| Raw material and supplies                        | 266,769                      | 129,793                      |
| Less: provision for obsolescence and devaluation | <u>(11,119)</u>              | <u>(4,169)</u>               |
|  | <u>255,650</u>               | <u>125,624</u>               |
| Outsourcing inventories                          | <u>133,091</u>               | <u>140,987</u>               |
| Inventories in transit                           | <u>5,298</u>                 | <u>12,317</u>                |
|  | <u><b>\$ 1,193,998</b></u>   | <u><b>760,114</b></u>        |

Raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sales amounted to \$3,959,967 thousand and \$3,813,377 thousand for the years ended December 31, 2022 and 2021, respectively. During the years December 31, 2022 and 2021, the write-down of inventories to net realizable value amounting to \$98,181 thousand and \$82,646 thousand, respectively.

As of December 31, 2022 and 2021, the Company did not provide any inventories as collateral for its loans.

(e) Investments accounted for using equity method

- (i) A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

|  | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|--|------------------------------|------------------------------|
| Subsidiaries:                                  |                              |                              |
| Ever Energetic Int'l Ltd. (Ever Energetic)     | \$ 1,559,456                 | 1,388,066                    |
| Ever Winner Int'l Co., Ltd. (Ever Winner)      | 1,786,727                    | 1,508,681                    |
| Skyrise Int'l Ltd. (Skyrise)                   | 1,856                        | 1,716                        |
| Taiwan Semiconductor Europe GmbH (TSCE)        | 60,648                       | 32,828                       |
| Taiwan Semiconductor Japan Ltd. (TSCJ)         | 111,535                      | 89,854                       |
| Taiwan Semiconductor (H.K.) Co., Ltd. (TSCH)   | 604,227                      | 575,187                      |
| TSC Auto ID Technology Co., Ltd. (TSC Auto ID) | <u>989,014</u>               | <u>818,330</u>               |
|  | <u><b>\$ 5,113,463</b></u>   | <u><b>4,414,662</b></u>      |

(ii) Subsidiaries

Please see the consolidated financial statements for the years end December 31, 2022.

The Company's share of gain of subsidiaries accounted for using the equity method was \$874,492 thousand and \$734,675 thousand for the December 31, 2022 and 2021, respectively.

The Company invested \$1,000 thousand in March 2007, to establish TSC Auto ID, and transferred the assets and liabilities of the Company's Barcode Printer Business Division, with a book value of \$150,000 thousand, to it on August 1, 2007. Additionally, TSC Auto ID had issued new shares for cash capital increase several times since establishment, which led to the

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changes of the shares held by the Company due to the failure of the Company subscribing the new shares according to its original shareholding ratio each time. As such, the total equity held by the Company arising from the investment varied, which was recognized as equity transactions accordingly. Moreover, there had been employees successively exercising their stock rights to purchase the issued new shares of TSC Auto ID. In summary, as of December 31, 2022 and 2021, the shareholding ratio of the Company in TSC Auto ID was 36.35% and 36.38%.

As of December 31, 2022 and 2021, the Company had a shareholding ratio of 25.22% in TSCH, 36.96% in Ever Energetic and Ever Winner. In summary, the comprehensive shareholding ratio of the Company in TSCH was 100%.

(f) Property, plant and equipment

The cost, depreciation of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

|                                       | <u>Land</u>       | <u>Building and<br/>construction</u> | <u>Machinery<br/>and<br/>equipment</u> | <u>Office and<br/>other<br/>facilities</u> | <u>Total</u>     |
|---------------------------------------|-------------------|--------------------------------------|--|--|------------------|
| Cost or deemed cost:                  |                   |                                      |  |  |                  |
| Balance at 1 January, 2022            | \$ 636,086        | 732,644                              | 2,772,740                              | 124,924                                    | 4,266,394        |
| Additions                             | -                 | 532                                  | 44,609                                 | 7,353                                      | 52,494           |
| Sales of assets                       | -                 | -                                    | (7,370)                                | -  | (7,370)          |
| Disposals                             | -                 | -                                    | (40,794)                               | (600)                                      | (41,394)         |
| Others (include capitalized interest) | -                 | 3,840                                | 52,832                                 | 545  | 57,217           |
| Balance at December 31, 2022          | <u>\$ 636,086</u> | <u>737,016</u>                       | <u>2,822,017</u>                       | <u>132,222</u>                             | <u>4,327,341</u> |
| Balance at 1 January, 2021            | \$ 636,086        | 732,644                              | 2,708,688                              | 108,588                                    | 4,186,006        |
| Additions                             | -                 | -                                    | 32,085                                 | 14,911                                     | 46,996           |
| Sales of assets                       | -                 | -                                    | (4,498)                                | (531)                                      | (5,029)          |
| Disposals                             | -                 | -                                    | (17,968)                               | (737)                                      | (18,705)         |
| Others (include capitalized interest) | -                 | -                                    | 54,433                                 | 2,693                                      | 57,126           |
| Balance at December 31, 2021          | <u>\$ 636,086</u> | <u>732,644</u>                       | <u>2,772,740</u>                       | <u>124,924</u>                             | <u>4,266,394</u> |
| Accumulated depreciation:             |                   |                                      |  |  |                  |
| Balance at January 1, 2022            | \$ -              | 272,395                              | 1,522,150                              | 92,347                                     | 1,886,892        |
| Depreciation for the year             | -                 | 27,884                               | 279,966                                | 11,698                                     | 319,548          |
| Sales of assets                       | -                 | -                                    | (7,370)                                | -  | (7,370)          |
| Disposals                             | -                 | -                                    | (40,039)                               | (568)                                      | (40,607)         |
| Balance at December 31, 2022          | <u>\$ -</u>       | <u>300,279</u>                       | <u>1,754,707</u>                       | <u>103,477</u>                             | <u>2,158,463</u> |

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|                              | <u>Land</u>       | <u>Building and<br/>construction</u> | <u>Machinery<br/>and<br/>equipment</u> | <u>Office and<br/>other<br/>facilities</u> | <u>Total</u>     |
|------------------------------|-------------------|--------------------------------------|--|--|------------------|
| Balance at January 1, 2021   | \$ -              | 244,592                              | 1,265,022                              | 81,644                                     | 1,591,258        |
| Depreciation for the year    | -                 | 27,803                               | 279,594                                | 11,971                                     | 319,368          |
| Sales of assets              | -                 | -                                    | (4,498)                                | (531)                                      | (5,029)          |
| Disposals                    | -                 | -                                    | (17,968)                               | (737)                                      | (18,705)         |
| Balance at December 31, 2021 | <u>\$ -</u>       | <u>272,395</u>                       | <u>1,522,150</u>                       | <u>92,347</u>                              | <u>1,886,892</u> |
| Carrying amount:             |                   |                                      |  |  |                  |
| Balance at December 31, 2022 | <u>\$ 636,086</u> | <u>436,737</u>                       | <u>1,067,310</u>                       | <u>28,745</u>                              | <u>2,168,878</u> |
| Balance at January 1, 2021   | <u>\$ 636,086</u> | <u>488,052</u>                       | <u>1,443,666</u>                       | <u>26,944</u>                              | <u>2,594,748</u> |
| Balance at December 31, 2021 | <u>\$ 636,086</u> | <u>460,249</u>                       | <u>1,250,590</u>                       | <u>32,577</u>                              | <u>2,379,502</u> |

The Company's interest capitalized for purchasing property, plant and equipment for the years ended December 31, 2022, and 2021, were \$453 thousand and \$1,472 thousand, respectively, at a rate of 1.50% and 3.00%.

(g) Intangible assets

The cost, amortization of the intangible assets of the Company for the years ended December 31, 2022 and 2021, were as follows:

|                              | <u>Computer<br/>Software</u> |
|------------------------------|------------------------------|
| Cost:                        |                              |
| Balance at January 1, 2022   | \$ 184,189                   |
| Additions                    | 21,449                       |
| Balance at December 31, 2022 | <u>\$ 205,638</u>            |
| Balance at January 1, 2021   | \$ 156,714                   |
| Additions                    | 27,475                       |
| Balance at December 31, 2021 | <u>\$ 184,189</u>            |
| Accumulated amortization:    |                              |
| Balance at January 1, 2022   | \$ 92,736                    |
| Amortization for the year    | 48,443                       |
| Balance at December 31, 2022 | <u>\$ 141,179</u>            |
| Balance at January 1, 2021   | \$ 55,293                    |
| Amortization for the year    | 37,443                       |
| Balance at December 31, 2021 | <u>\$ 92,736</u>             |
| Carrying amount:             |                              |
| Balance at December 31, 2022 | <u>\$ 64,459</u>             |
| Balance at January 1, 2021   | <u>\$ 101,421</u>            |
| Balance at December 31, 2021 | <u>\$ 91,453</u>             |

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
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(h) Other non-current assets

|                           | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---------------------------|------------------------------|------------------------------|
| Prepayments for equipment | \$ 93,943                    | 32,224                       |
| Others                    | 47,416                       | 42,119                       |
|                           | <b>\$ 141,359</b>            | <b>74,343</b>                |

(i) Short-term borrowings

|                                | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--------------------------------|------------------------------|------------------------------|
| Credit loans                   | \$ 590,000                   | 260,000                      |
| Import and export loans        | -                            | 110,720                      |
|                                | <b>\$ 590,000</b>            | <b>370,720</b>               |
| Unused short-term credit lines | <b>\$ 2,074,200</b>          | <b>2,490,190</b>             |
| Range of interest rates (%)    | <b>1.45%~ 1.81%</b>          | <b>0.47%~ 0.64%</b>          |

Please refer to notes 9 for disclosures of mortgaged and pledged assets.

(j) Long-term borrowings

|                               | <b>December 31, 2022</b> |                      |                   |
|-------------------------------|--------------------------|----------------------|-------------------|
|                               | <b>Rate range</b>        | <b>Maturity year</b> | <b>Amount</b>     |
| Unsecured bank loans          | 1.075%                   | 2027.07.16           | \$ 256,000        |
|                               | 1.075%                   | 2026.12.04           | 88,840            |
|                               | 1.075%                   | 2025.03.28           | 160,000           |
|                               | 1.075%                   | 2024.12.25           | 240,000           |
|                               | 1.625%                   | 2024.03.08           | 41,900            |
|                               |                          |                      | 786,740           |
| Less: Current portion         |                          |                      | (259,349)         |
| Total                         |                          |                      | <b>\$ 527,391</b> |
| Unused long-term credit lines |                          |                      | <b>\$ 913,260</b> |

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|                               | <b>December 31, 2021</b> |                      |                     |
|-------------------------------|--------------------------|----------------------|---------------------|
|                               | <b>Rate range</b>        | <b>Maturity year</b> | <b>Amount</b>       |
| Unsecured bank loans          | 0.45%                    | 2027.07.16           | \$ 217,300          |
|                               | 0.45%                    | 2026.12.04           | 62,830              |
|                               | 0.45%                    | 2025.03.28           | 115,700             |
|                               | 0.45%                    | 2024.12.25           | 211,580             |
|                               | 1.00%                    | 2024.03.08           | 41,900              |
| Total                         |                          |                      | <b>\$ 649,310</b>   |
| Unused long-term credit lines |                          |                      | <b>\$ 1,050,690</b> |

For the years ended December 31, 2022 and 2021 the amounts of the Company's unsecured bank loans were \$139,320 thousand and \$379,760 thousand, respectively, with a grace period ranging from 3~5 years based on the contracts.

(k) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan assets at fair value are as follows:

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2022</b> |
|--|------------------------------|------------------------------|
| Present value of the defined benefit obligations | \$ (60,476)                  | (63,094)                     |
| Fair value of plan assets                        | 40,430                       | 40,037                       |
| Net defined benefit liabilities                  | <b>\$ (20,046)</b>           | <b>(23,057)</b>              |

1) Composition of plan assets

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement. The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$41,587 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in the present value of the defined benefit obligations

The movements in the present value of defined benefit obligations for the Company in 2022 and 2021 were as follows:

|   | <u>2022</u>        | <u>2021</u>     |
|---|--------------------|-----------------|
| Defined benefit obligations on January 1                          | \$ (63,094)        | (67,538)        |
| Current service costs and interest                                | (299)              | (332)           |
| Remeasurement in net defined benefit liability                    |                    |                 |
| — Actuarial gains and losses arising from demographic assumptions | 2,915              | (754)           |
| — Actuarial losses arising from changes in financial assumption   | (3,902)            | (961)           |
| Pension paid  | <u>3,904</u>       | <u>6,491</u>    |
| Defined benefit obligations on December 31                        | <u>\$ (60,476)</u> | <u>(63,094)</u> |

3) Movement in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company in December 31, 2022 and 2021 were as follows:

|  | <u>2022</u>      | <u>2021</u>    |
|--|------------------|----------------|
| Fair value of plan assets on January 1             | \$ 40,037        | 45,151         |
| Interest income                                    | 302              | 340            |
| Remeasurement in net defined benefit liability     |                  |                |
| — Return on plan assets (exclude current interest) | 3,536            | 468            |
| Contributions paid by the employer                 | 459              | 569            |
| Pension paid                                       | <u>(3,904)</u>   | <u>(6,491)</u> |
| Fair value of plan assets on December 31           | <u>\$ 40,430</u> | <u>40,037</u>  |

4) The expenses recognized in profit or loss

The expenses recognized in profit or loss of the Company for the years ended December 31, 2022 and 2021 were as follows:

|   | <u>2022</u>   | <u>2021</u> |
|---|---------------|-------------|
| Current service costs                     | \$ -          | -           |
| Net interest on net defined benefit asset | <u>(3)</u>    | <u>(8)</u>  |
|   | <u>\$ (3)</u> | <u>(8)</u>  |

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|                         | <b>2022</b>   | <b>2021</b> |
|-------------------------|---------------|-------------|
| Cost of goods sold      | \$ -          | (7)         |
| Selling expenses        | -             | (2)         |
| Administrative expenses | (3)           | 1           |
|                         | <b>\$ (3)</b> | <b>(8)</b>  |

- 5) Re-measurement of net defined benefit liability recognized in other comprehensive income

The Company's re-measurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

|                                    | <b>2022</b>     | <b>2021</b>    |
|------------------------------------|-----------------|----------------|
| Accumulative amount at January 1   | \$ (3,366)      | (2,119)        |
| Recognized during the period       | 2,549           | (1,247)        |
| Accumulative amount at December 31 | <b>\$ (817)</b> | <b>(3,366)</b> |

- 6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

|                             | <b>2022.12.31</b> | <b>2021.12.31</b> |
|-----------------------------|-------------------|-------------------|
| Discount rate               | 1.25%~1.75%       | 0.50%~0.75%       |
| Future salary increase rate | 2.50 %            | 2.50 %            |

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date were \$495 thousand.

For the year 2022 and 2021, the defined benefited obligation weight-average duration of the Company is between 2.33 years to 14.97 years and 2.66 years to 15.18 years, respectively.

- 7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

|                               | <b>The impact on the present value of the defined benefit obligation</b> |                        |
|-------------------------------|--|------------------------|
|                               | <b>Increased 0.25%</b>   | <b>Decreased 0.25%</b> |
| December 31, 2022             |  |                        |
| Discount rate                 | \$ (720)   | 742                    |
| Future salary increasing rate | 724  | (705)                  |

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
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|                               | <b>The impact on the present value of<br/>the defined benefit obligation</b> |                               |
|-------------------------------|--|-------------------------------|
|                               | <b><u>Increased 0.25%</u></b>  | <b><u>Decreased 0.25%</u></b> |
| December 31, 2021             |  |                               |
| Discount rate                 | (865)  | 894                           |
| Future salary increasing rate | 865  | (841)                         |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$17,841 thousand and \$15,800 thousand for the years ended December 31, 2022 and 2021, respectively.

(l) Income tax

(i) The components of income tax in the years 2022 and 2021 were as follows:

|  | <b><u>2022</u></b>       | <b><u>2021</u></b>    |
|--|--------------------------|-----------------------|
| Current tax expenses                     |                          |                       |
| Current period                           | \$ 242,424               | 115,093               |
| Additional tax on undistributed earnings | 3,135                    | 3,840                 |
| Adjustment for prior periods             | <u>(6,981)</u>           | <u>-</u>              |
|  | <u>238,578</u>           | <u>118,933</u>        |
| Deferred tax expenses                    |                          |                       |
| Origination of temporary differences     | <u>28,094</u>            | <u>4,162</u>          |
| Total income tax expenses                | <b><u>\$ 266,672</u></b> | <b><u>123,095</u></b> |

(ii) There is no income tax recognized in other comprehensive income for the years 2022 and 2021.

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

- (iii) The Company's reconciliation of income tax and profit before tax for 2022 and 2021 is as follows:

|  | <u>2022</u>         | <u>2021</u>      |
|--|---------------------|------------------|
| Profit excluding income tax              | \$ <u>1,829,559</u> | <u>1,005,900</u> |
| Income tax                               | \$ 365,912          | 201,180          |
| Recognized income under equity method    | (98,434)            | (84,421)         |
| Additional tax on undistributed earnings | 3,135               | 3,840            |
| Others                                   | <u>(3,941)</u>      | <u>2,496</u>     |
| Total                                    | \$ <u>266,672</u>   | <u>123,095</u>   |

- (iv) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets

The Company's deferred tax assets have not been recognized in respect of the following items:

|                                  | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|----------------------------------|------------------------------|------------------------------|
| Deductible temporary differences | \$ <u>8,125</u>              | <u>7,597</u>                 |

- 2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax assets:

|                              | <u>Inventory<br/>obsolescence</u> | <u>Allowance<br/>for doubtful<br/>accounts</u> | <u>Unrealized<br/>gross profit</u> | <u>Others</u> | <u>Total</u>  |
|------------------------------|-----------------------------------|--|------------------------------------|---------------|---------------|
| Balance at January 1, 2022   | \$ 30,702                         | 1,802  | 2,895                              | 3,822         | 39,221        |
| Recognized in profit or loss | <u>19,636</u>                     | <u>(865)</u>                                   | <u>10,668</u>                      | <u>1,936</u>  | <u>31,375</u> |
| Balance at December 31, 2022 | \$ <u>50,338</u>                  | <u>937</u>                                     | <u>13,563</u>                      | <u>5,758</u>  | <u>70,596</u> |
| Balance at January 1, 2021   | \$ 14,173                         | 1,866  | 2,300                              | 2,958         | 21,297        |
| Recognized in profit or loss | <u>16,529</u>                     | <u>(64)</u>                                    | <u>595</u>                         | <u>864</u>    | <u>17,924</u> |
| Balance at December 31, 2021 | \$ <u>30,702</u>                  | <u>1,802</u>                                   | <u>2,895</u>                       | <u>3,822</u>  | <u>39,221</u> |

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

Deferred tax liabilities:

|                              | <b>Recognized<br/>income under<br/>equity method</b> | <b>Others</b>  | <b>Total</b>     |
|------------------------------|--|----------------|------------------|
| Balance at January 1, 2022   | \$ (375,832)   | (6,315)        | (382,147)        |
| Recognized in profit or loss | (60,280)   | 811            | (59,469)         |
| Balance at December 31, 2022 | <u>\$ (436,112)</u>                                  | <u>(5,504)</u> | <u>(441,616)</u> |
| Balance at January 1, 2021   | \$ (353,807)   | (6,254)        | (360,061)        |
| Recognized in profit or loss | (22,025)   | (61)           | (22,086)         |
| Balance at December 31, 2021 | <u>\$ (375,832)</u>                                  | <u>(6,315)</u> | <u>(382,147)</u> |

- (v) As of December 31, 2022, the income tax returns of the Company through the year 2020 were assessed by the Tax Authority.
- (vi) Since funds are needed for expanding the overseas operations, the earnings of the Company's overseas subsidiaries will not be transferred back in the short run. In accordance with paragraph A39 of IAS 12 "Income Taxes", the earnings' book-tax difference should be considered permanent.
- (m) Stockholders' equity
- (i) Common stock

A resolution was passed during the general meeting of shareholders held on 14 June, 2019 for the issuance of ordinary shares for cash within a year under private placement, with the number of shares issued not exceeding 10,000 thousand. Subsequently, a resolution was passed during the board meeting held on 30 October, 2019 for the issuance of 6,741 thousand ordinary shares under private placement, with par value of \$10 per share, amounting to \$299,975 thousand, with 18 November, 2019 as the date of capital increase. The relevant statutory registration procedures have since been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a threeyear period has elapsed from the delivery date of the private placement securities (December 28, 2019), and after applying for a public offering with the Financial Supervisory Commission.

Convertible bonds issued by the Company were converted into 13,412 thousand shares of common stock in 2021, with par value of \$10 per share, resulting in the premium to exceed the price of ordinary shares by \$604,864 thousand, which was recognized as conversion premium of convertible corporate bonds under retained earnings, with March 26, 2021 as the date of issuance of new shares and capital increase. The related registration procedures were completed.

The Company retired 1,600 thousand of treasury shares and eliminate 69,482 thousand of capital surplus treasury shares, which approved by the board of directors on January 10, 2022, as the date of capital reduction. The related registration procedures were completed.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

As of December 31, 2022, and 2021, the authorized capital amounted to \$3,600,000 thousand (including the amount of \$100,000 thousand authorized for the issuance of the employee stock options); the Company's outstanding capital amounted to \$2,634,854 thousand and \$2,650,854 thousand, respectively, with a par value of \$10 (dollars) per share.

(ii) Capital surplus

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|------------------------------|------------------------------|
| Premium on shares issued above par value                     | \$ 639,859                   | 639,859                      |
| Conversion premium of convertible corporate bonds            | 1,229,442                    | 1,229,442                    |
| Treasury share transactions                                  | 140,945                      | 173,427                      |
| Employee share options premium                               | 24,378                       | 24,378                       |
| Interest compensation payable on convertible corporate bonds | 18,674                       | 18,674                       |
| Employee share options                                       | 1,543                        | 1,543                        |
| Change in affiliates recognized under equity method          | 82,247                       | 79,476                       |
|  | <b>\$ 2,137,088</b>          | <b>2,166,799</b>             |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

(iv) Special reserve

According to ROC SFB regulations, an ROC publicly listed company should retain its special reserve equal to any deductions from stockholders' equity before distribution of earnings. If the aforementioned deduction from stockholders' equity is reversed, the same amount could be removed from special reserve and transferred to unappropriated earnings. The remaining earnings may be distributed as stockholders' dividends.

The increase in retained earnings occurring before the adoption date due to the first-time adoption of IFRSs amounted to \$302,149. In accordance with Ruling issued by the Financial Supervisory Commission, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution. When the relevant assets are used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve amounted to \$302,149 on December 31, 2022 and 2021.

(Continued)

## TAIWAN SEMICONDUCTOR CO., LTD.

### Notes to the Financial Statements

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(v) Distribution of earnings and dividend policy

In accordance with the Company's articles of incorporation, if there are appropriate earnings at year-end, the after-tax earnings shall first be offset against any deficit, and 10% should be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equal the total authorized capital. Special capital reserve may be appropriated in accordance with relevant laws. The remaining balance of the earnings can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the Stockholders' meeting.

According to the stock dividend policy of the Company, in consideration of future capital needs, operational development, capital needs, international and domestic competitiveness, and stockholders' benefits, etc., cash dividends cannot be lower than 10% of total stock dividends. However, stock dividends instead of cash dividends are distributed if the cash dividends per share are less than \$0.2 (dollars).

The annual shareholders' meeting on June 21, 2022 and July 26, 2021 resolved to distribute earnings as dividends and as employee bonuses and directors' remuneration for 2021 and 2020 as follows:

|  | 2021                             |                 | 2020                             |                 |
|--|----------------------------------|-----------------|----------------------------------|-----------------|
|  | Amount<br>per share<br>(dollars) | Total<br>amount | Amount<br>per share<br>(dollars) | Total<br>amount |
| Dividends distributed to<br>common shareholders: |                                  |                 |                                  |                 |
| Cash   | \$ 2.50                          | 658,714         | 1.50                             | 395,228         |

(vi) Treasury stocks

In accordance with Article 28-2 of the Securities and Exchange Act, in order to transfer shares to employees, as of December 31, 2021, the Company repurchased 1,600 thousand shares of treasury stock at a cost of \$85,482 thousand. The Company retired 1,600 thousand of treasury shares in January 2022, amounting to \$85,482 thousand, as described in common stock.

In accordance with Securities and Exchange Act requirements, treasury shares held by the Company should not be pledged, and do not hold shareholder rights before their transfer.

(Continued)

## TAIWAN SEMICONDUCTOR CO., LTD.

### Notes to the Financial Statements

As of December 31, 2022 and 2021, a subsidiary of the Company, TSC Auto ID, held 14,800 thousand shares and 13,600 thousand shares of the Company with a total value of \$506,043 thousand and \$421,508 thousand, respectively, recognized under treasury shares.

As of year-end 2022 and 2021, the Company had recognized dividend income received from its TSC Auto ID subsidiary in the amount of \$37,000 thousand and \$20,400 thousand, and the total amount were transferred to capital surplus – treasury shares under the equity method.

(vii) Other equity

|                              | <b>Foreign exchange<br/>differences arising<br/>from foreign<br/>operation</b> |
|------------------------------|--|
| Balance at January 1, 2022   | \$ (531,125)   |
| Foreign exchange differences | <u>171,567</u>   |
| Balance at December 31, 2022 | <u><u>\$ (359,558)</u></u>   |
| Balance at January 1, 2021   | \$ (459,300)   |
| Foreign exchange differences | <u>(71,825)</u>  |
| Balance at December 31, 2021 | <u><u>\$ (531,125)</u></u>   |

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

|                               | <b>2022</b>                | <b>2021</b>             |
|-------------------------------|----------------------------|-------------------------|
| Primary geographical markets: |                            |                         |
| Asia                          | \$ 2,905,882               | 2,569,777               |
| America                       | 910,777                    | 755,533                 |
| Europe                        | 1,776,181                  | 1,347,227               |
| Others                        | <u>106,315</u>             | <u>130,940</u>          |
|                               | <u><u>\$ 5,699,155</u></u> | <u><u>4,803,477</u></u> |
| Major products lines:         |                            |                         |
| Rectifiers                    | <u><u>\$ 5,699,155</u></u> | <u><u>4,803,477</u></u> |

(ii) Contract balances

|  | <b>December 31,<br/>2022</b> | <b>December 31,<br/>2021</b> | <b>January 1,<br/>2021</b> |
|--|------------------------------|------------------------------|----------------------------|
| Notes and trade receivable (include related parties) | \$ 1,301,424                 | 1,290,859                    | 869,480                    |
| Less: Loss allowance                                 | <u>(12,560)</u>              | <u>(12,963)</u>              | <u>(12,984)</u>            |
| Total  | <u><u>\$ 1,288,864</u></u>   | <u><u>1,277,896</u></u>      | <u><u>856,496</u></u>      |

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

(o) Non-operating income and expenses

(i) Interest income

The Company's interest income detail was as follows:

|                                    | <u>2022</u>     | <u>2021</u>  |
|------------------------------------|-----------------|--------------|
| Interest income from bank deposits | \$ <u>3,635</u> | <u>1,421</u> |

(ii) Other income

|             | <u>2022</u>      | <u>2021</u>  |
|-------------|------------------|--------------|
| Rent income | \$ 1,077         | 1,077        |
| Others      | <u>27,552</u>    | <u>6,408</u> |
| Total       | \$ <u>28,629</u> | <u>7,485</u> |

(iii) Other gains and losses

|  | <u>2022</u>       | <u>2021</u>   |
|--|-------------------|---------------|
| Gains on disposal of property, plant and equipment             | \$ 2,792          | 819           |
| Foreign exchange gains   | 165,644           | 13,350        |
| Losses on financial asset at fair value through profit or loss | (1,701)           | (1,966)       |
| Others   | <u>(2,639)</u>    | <u>-</u>      |
|  | \$ <u>164,096</u> | <u>12,203</u> |

(iv) Finance costs

|                               | <u>2022</u>        | <u>2021</u>    |
|-------------------------------|--------------------|----------------|
| Interest expense              | \$ (10,284)        | (7,401)        |
| Plus: Interest capitalization | 474                | 2,060          |
| Other financial costs         | <u>(1,539)</u>     | <u>(1,434)</u> |
|                               | \$ <u>(11,349)</u> | <u>(6,775)</u> |

(p) Remunerations to employees and director

In accordance with the Company's articles of incorporation, require that earnings shall first be offset against any deficit, then, a range from 4% to 10% will be distributed as employee remuneration and a maximum of 1% will be allocated as directors' remuneration. Employees who are entitled to receive the above mentioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

The abovementioned directors' remuneration, which should be distributed in cash, and the amount of remuneration to employees, had been approved by the Board of Directors and will be reported during the shareholders' meeting.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

The Company estimated its remuneration to employees amounting to \$139,206 thousand and \$64,897 thousand for the years ended December 31, 2022 and 2021, respectively, and estimated its remuneration to directors amounting \$19,886 thousand and \$10,816 thousand for years ended December 31, 2022 and 2021, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors, as specified in the Company's article. The estimations are recorded under operation expenses. There were no differences between the estimated amounts reflected in the 2022 and 2021 financial reports, and the actual amounts approved by the Board of Directors. The related information can be accessed from market observation post system website.

(q) Earnings per share

(i) Basic earnings per share

|  | <u>2022</u>         | <u>2021</u>    |
|--|---------------------|----------------|
| Net income   | \$ <u>1,562,887</u> | <u>882,805</u> |
| Weighted-average number of outstanding shares<br>(thousands) | <u>248,877</u>      | <u>248,585</u> |
| Basic earnings per share (\$)                                | \$ <u>6.28</u>      | <u>3.55</u>    |

(ii) Diluted earnings per share

|   | <u>2022</u>         | <u>2021</u>    |
|---|---------------------|----------------|
| Net income  | \$ 1,562,887        | 882,805        |
| Effect of interest expense of convertible notes                             | -                   | 1,549          |
| Diluted net income  | \$ <u>1,562,887</u> | <u>884,354</u> |
| Weighted-average number of outstanding shares<br>(thousands)                | 248,877             | 248,585        |
| Employees' remuneration   | 2,058               | 976            |
| Effect of conversion of convertible bonds                                   | -                   | 1,521          |
| Diluted weighted-average number of common shares<br>outstanding (thousands) | <u>250,935</u>      | <u>251,082</u> |
| Diluted earnings per share (\$)   | \$ <u>6.23</u>      | <u>3.52</u>    |

(r) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets, represents the maximum amount exposed to credit risk.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

2) Concentration of credit risk

During 2022 and 2021, approximately were 14% and 19% of the Company's revenue was attributable to sales transactions with a single customer. However, geographically, there was no concentration of credit risk.

3) Receivable and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(c).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

|  | <u>Carrying<br/>amount</u> | <u>Contractual<br/>cash flow</u> | <u>1 year</u>    | <u>1-2 years</u> | <u>2-5 years</u> | <u>More than<br/>5 years</u> |
|--|----------------------------|----------------------------------|------------------|------------------|------------------|------------------------------|
| <b>December 31, 2022</b>                                 |                            |                                  |                  |                  |                  |                              |
| <b>Non-derivative financial liabilities</b>              |                            |                                  |                  |                  |                  |                              |
| Short-term borrowings                                    | \$ 590,000                 | 593,743                          | 593,743          | -                | -                | -                            |
| Accounts payable (include related parties)               | 821,129                    | 821,129                          | 821,129          | -                | -                | -                            |
| Other payables to related parties                        | 38,555                     | 38,555                           | 38,555           | -                | -                | -                            |
| Long-term borrowings (including expires within one year) | 786,740                    | 802,274                          | 266,949          | 302,760          | 232,565          | -                            |
| <b>Derivative financial liabilities</b>                  |                            |                                  |                  |                  |                  |                              |
| Exchange forward contract                                | 408                        | 408                              | 408              | -                | -                | -                            |
|  | <u>\$ 2,236,832</u>        | <u>2,256,109</u>                 | <u>1,720,784</u> | <u>302,760</u>   | <u>232,565</u>   | <u>-</u>                     |
| <b>December 31, 2021</b>                                 |                            |                                  |                  |                  |                  |                              |
| <b>Non-derivative financial liabilities</b>              |                            |                                  |                  |                  |                  |                              |
| Short-term borrowings                                    | \$ 370,720                 | 371,412                          | 371,412          | -                | -                | -                            |
| Notes and accounts payable (include related parties)     | 980,097                    | 980,097                          | 980,097          | -                | -                | -                            |
| Other payables to related parties                        | 55,327                     | 55,327                           | 55,327           | -                | -                | -                            |
| Long-term borrowings                                     | 649,310                    | 657,541                          | 13,275           | 226,470          | 386,059          | 31,737                       |
| <b>Derivative financial liabilities</b>                  |                            |                                  |                  |                  |                  |                              |
| Exchange forward contract                                | 120                        | 120                              | 120              | -                | -                | -                            |
|  | <u>\$ 2,055,574</u>        | <u>2,064,497</u>                 | <u>1,420,231</u> | <u>226,470</u>   | <u>386,059</u>   | <u>31,737</u>                |

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

|  | December 31, 2022 |                     | December 31, 2021 |                  |
|--|-------------------|---------------------|-------------------|------------------|
|  | Exchange rate     | Amount (TWD)        | Exchange rate     | Amount (TWD)     |
| <u>Financial assets</u>                        |                   |                     |                   |                  |
| <u>Monetary Items</u>                          |                   |                     |                   |                  |
| USD  | \$ 30.71          | 2,076,887           | 27.68             | 1,478,871        |
| EUR  | 32.72             | 180,709             | 31.32             | 269,506          |
| JPY  | 0.2324            | 1,222               | 0.2405            | 12               |
| RMB  | 4.408             | 547,819             | 4.344             | 408,869          |
| KRW  | 0.0244            | 2,390               | 0.0233            | 2,120            |
|  |                   | <b>\$ 2,809,027</b> |                   | <b>2,159,378</b> |
| <u>Derivative financial instruments</u>        |                   |                     |                   |                  |
| USD  | \$ 30.71          | -                   | 27.68             | <b>1,974</b>     |
| Investments accounted for using equity method: |                   |                     |                   |                  |
| USD  | 30.71             | 3,348,039           | 27.68             | 2,898,463        |
| EUR  | 32.72             | 60,648              | 31.32             | 32,828           |
| JPY  | 0.2324            | 111,535             | 0.2405            | 89,854           |
| HKD  | 3.938             | 604,227             | 3.549             | 575,187          |
|  |                   | <b>\$ 4,124,449</b> |                   | <b>3,596,332</b> |
| <u>Financial liabilities</u>                   |                   |                     |                   |                  |
| <u>Monetary items</u>                          |                   |                     |                   |                  |
| USD  | \$ 30.71          | 357,155             | 27.68             | 318,063          |
| EUR  | 32.72             | 19,847              | 31.32             | 36,747           |
| JPY  | 0.2324            | 2,486               | 0.2405            | 1,332            |
| RMB  | 4.408             | 669,523             | 4.344             | 872,432          |
| KRW  | 0.0244            | 2,509               | 0.0233            | 2,141            |
|  |                   | <b>\$ 1,051,520</b> |                   | <b>1,230,715</b> |
| <u>Derivative financial instruments</u>        |                   |                     |                   |                  |
| USD  | \$ 30.71          | <b>408</b>          | 27.68             | <b>120</b>       |

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on financial assets, financial liabilities and investment accounted for using equity method that are denominated in foreign currency.

A strengthening (weakening) of 3% of the NTD against the foreign currency as of December 31, 2022 and 2021, would have increased or decreased the net profit after tax by \$141,157 thousand and \$108,644 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2021 (prior year).

3) Foreign exchange gains and losses of monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2022 and 2021, foreign exchange gain (including realized and unrealized portions) amounted to \$165,644 thousand and \$13,350 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

For the years ended December 31, 2022 and 2021, the Company's borrowing amount is \$1,376,740 thousand and \$1,020,030 thousand, respectively. If the interest rate had increased by 1 basis points, the Company's one-year cash flow would have increased by \$13,767 thousand and \$10,200 thousand, respectively.

(v) Other price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follow, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

| <u>Security price on<br/>the reporting date</u> | For the years ended December 31                      |            |  |                |
|---|--|------------|--|----------------|
|   | 2022   |            | 2021   |                |
|   | Other<br>consolidated<br>profit or loss<br>after tax | Net income | Other<br>consolidated<br>profit or loss<br>after tax | Net income     |
| Increasing 1%                                   | \$ <u>33</u>   | <u>-</u>   | <u>-</u>   | <u>1,500</u>   |
| Decreasing 1%                                   | \$ <u>(33)</u>                                       | <u>-</u>   | <u>-</u>   | <u>(1,500)</u> |

(vi) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

|  | December 31, 2022   |            |          |              |              |
|--|---------------------|------------|----------|--------------|--------------|
|  | Carrying<br>amount  | Fair value |          |              | Total        |
|  |                     | Level 1    | Level 2  | Level 3      |              |
| <b>Financial assets at fair value through other comprehensive income</b> |                     |            |          |              |              |
| Fund in foreign markets  | \$ 4,157            | -          | -        | 4,157        | 4,157        |
| <b>Loans and receivables</b>   |                     |            |          |              |              |
| Cash and cash equivalents  | 1,139,543           | -          | -        | -            | -            |
| Notes and accounts receivable (include related parties)                  | 1,288,864           | -          | -        | -            | -            |
| Other receivables  | 38,005              | -          | -        | -            | -            |
| Other financial assets   | <u>67,718</u>       | <u>-</u>   | <u>-</u> | <u>-</u>     | <u>-</u>     |
| Subtotal   | <u>2,534,130</u>    | <u>-</u>   | <u>-</u> | <u>-</u>     | <u>-</u>     |
| Total  | <u>\$ 2,538,287</u> | <u>-</u>   | <u>-</u> | <u>4,157</u> | <u>4,157</u> |
| <b>Financial liabilities at fair value through profit or loss</b>        |                     |            |          |              |              |
| Derivative financial liabilities   | \$ 408              | -          | 408      | -            | 408          |

(Continued)

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

|   | December 31, 2022   |                |              |         |                |
|---|---------------------|----------------|--------------|---------|----------------|
|   | Carrying<br>amount  | Fair value     |              |         | Total          |
|   |                     | Level 1        | Level 2      | Level 3 |                |
| <b>Financial liabilities at amortized cost</b>                    |                     |                |              |         |                |
| Borrowings  | 1,376,740           | -              | -            | -       | -              |
| Accounts payable<br>(include related parties)                     | 821,129             | -              | -            | -       | -              |
| Other payables to related parties                                 | 38,555              | -              | -            | -       | -              |
| Subtotal  | <u>2,236,424</u>    | -              | -            | -       | -              |
| Total   | <u>\$ 2,236,832</u> | -              | <u>408</u>   | -       | <u>408</u>     |
|   |                     |                |              |         |                |
|   | December 31, 2021   |                |              |         |                |
|   | Carrying<br>amount  | Fair value     |              |         | Total          |
|   |                     | Level 1        | Level 2      | Level 3 |                |
| <b>Financial assets at fair value through profit or loss</b>      |                     |                |              |         |                |
| Beneficiary certificates  | \$ 150,032          | 150,032        | -            | -       | 150,032        |
| Derivative financial assets                                       | 1,974               | -              | 1,974        | -       | 1,974          |
| Subtotal  | <u>152,006</u>      | <u>150,032</u> | <u>1,974</u> | -       | <u>152,006</u> |
| <b>Loans and receivables</b>                                      |                     |                |              |         |                |
| Cash and cash equivalents   | 567,039             | -              | -            | -       | -              |
| Notes and accounts receivable (include related parties)           | 1,277,896           | -              | -            | -       | -              |
| Other receivables   | 24,318              | -              | -            | -       | -              |
| Other financial assets  | 55,415              | -              | -            | -       | -              |
| Subtotal  | <u>1,924,668</u>    | -              | -            | -       | -              |
| Total   | <u>\$ 2,076,674</u> | <u>150,032</u> | <u>1,974</u> | -       | <u>152,006</u> |
| <b>Financial liabilities at fair value through profit or loss</b> |                     |                |              |         |                |
| Derivative financial liabilities                                  | \$ 120              | -              | 120          | -       | 120            |
| <b>Financial liabilities at amortized cost</b>                    |                     |                |              |         |                |
| Borrowings  | 1,020,030           | -              | -            | -       | -              |
| Notes and accounts payable (include related parties)              | 980,097             | -              | -            | -       | -              |
| Other payables to related parties                                 | 55,327              | -              | -            | -       | -              |
| Subtotal  | <u>2,055,454</u>    | -              | -            | -       | -              |
| Total   | <u>\$ 2,055,574</u> | -              | <u>120</u>   | -       | <u>120</u>     |

(Continued)

## TAIWAN SEMICONDUCTOR CO., LTD.

### Notes to the Financial Statements

2) Valuation techniques of financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the balance sheet date.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Fair value hierarchy transfer

There were no transfer from one level to another in December 31, 2022 and 2021.

4) Quantified information on significant unobservable inputs Level 3 used in fair value measurement.

The Company's financial instruments that use Level 3 inputs to measure the fair value include the financial assets at fair value through other comprehensive income – fund in foreign markets.

Most of fair value measurements of the Company which are categorized as equity investment into level 3 have only one significant unobservable input, wherein the significant unobservable inputs of equity investments without a quoted price are independent of each other.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

Quantified information of significant unobservable inputs was as follows:

| <u>Item</u>   | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u> |
|---|----------------------------|--|--|
| Financial assets at fair value through other comprehensive income – fund in foreign markets | Net Asset Value Method     | Net Asset Value                        | The higher the net asset value is, the higher the estimated fair value would be.             |

(s) Financial risk management

(i) Overview

The Company has exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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## TAIWAN SEMICONDUCTOR CO., LTD.

### Notes to the Financial Statements

#### (iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

##### 1) Trade and other receivable

The Risk Management Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

If the Company retains the rights to the products that have already been sold, the Company shall also have the right to require collateral if payment has not been received. The Company does not require any collateral for accounts receivable and other receivables.

##### 2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

##### 3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2022, no other guarantees were outstanding (2021: none).

#### (iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2022 and 2021, the Company's unused credit line were amounted to \$2,987,460 thousand and \$3,540,880 thousand, respectively.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

Please refer to note 6(s)iii(1) for more details on currency risk exposure

2) Interest rate risk

The Company adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates.

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk by holding different investment portfolios. The Company assigned a specific team to supervise and assess the equity price risk so as to avoid or minimize the risk from the hedging position.

(t) Capital management

The Company sets objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interests of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company uses the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interests plus net debt.

The Company's capital management strategy is consistent with the prior year, and the gearing ratio is maintained within 60% so as to ensure financing at reasonable cost. The gearing ratios on the reporting date were as follows:

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

|                                 | <u>December 31,</u><br><u>2022</u> | <u>December 31,</u><br><u>2021</u> |
|---------------------------------|------------------------------------|------------------------------------|
| Total liabilities               | \$ 3,338,543                       | 2,878,653                          |
| Less: cash and cash equivalents | <u>1,139,543</u>                   | <u>567,039</u>                     |
| Net liabilities                 | 2,199,000                          | 2,311,614                          |
| Total equity                    | <u>8,061,932</u>                   | <u>7,026,655</u>                   |
| Total capital                   | <u>\$ 10,260,932</u>               | <u>9,338,269</u>                   |
| Debt-to-equity ratio            | <u>21%</u>                         | <u>25%</u>                         |

**(7) Related-party transactions:**

(a) Related-party transactions

The Company is the ultimate controlling party of the Consolidated Company.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements:

| <u>Name of related party</u>                             | <u>the Company</u> |
|--|--------------------|
| Ever Energetic   | Subsidiary         |
| Ever Winner  | Subsidiary         |
| Skyrise  | Subsidiary         |
| TSCE   | Subsidiary         |
| TSCJ   | Subsidiary         |
| TSCH   | Subsidiary         |
| TSC Auto ID Technology Co., Ltd. (TSC Auto ID)           | Subsidiary         |
| TSC America, Inc. (TSCA)                                 | Subsidiary         |
| Shanghai Great Technology Trading Co., Ltd. (TSCC)       | Subsidiary         |
| Yangxin Everwell Electronic Co., Ltd. (Yangxin Everwell) | Subsidiary         |
| Tianjin Everwell Technology Co., Ltd. (Tianjin Everwell) | Subsidiary         |
| TSC Auto ID Technology EMEA GmbH (TSCAE)                 | Subsidiary         |
| TSC Auto ID Technology ME, Ltd. FZE (TSCAD)              | Subsidiary         |
| TSC Auto ID Technology Spain, S.L. (TSCAS)               | Subsidiary         |
| TSC Auto ID (H.K.) Ltd. (TSC HK)                         | Subsidiary         |
| TSC Auto Technology America Inc. (TSCAA)                 | Subsidiary         |
| Tianjin TSC Auto ID Technology Co., Ltd. (TTSC)          | Subsidiary         |
| Shenzhen Printronix Auto ID Technology Co., Ltd. (SPTNX) | Subsidiary         |
| Printronix Auto ID Technology Co., Ltd. (Printronix AD)  | Subsidiary         |
| Diversified Labeling Solutions, Inc. (DLS)               | Subsidiary         |
| Precision Press & Label, Inc. (PPL)                      | Subsidiary         |
| TSC Auto ID Technology India Private limited (TSCIN)     | Subsidiary         |

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

(c) Significant transaction with related parties

(i) Sales

The amount of significant sales by Company and related parties were as follow:

| <u>Items</u> | <u>Name of related party</u> | <u>2022</u>                | <u>2021</u>             |
|--------------|------------------------------|----------------------------|-------------------------|
|              | subsidiaries:                |                            |                         |
| Sales        | TSCH                         | \$ 793,641                 | 895,014                 |
|              | TSCA                         | 652,858                    | 276,092                 |
|              | TSCJ                         | 437,947                    | 368,431                 |
|              | TSCC                         | 298,495                    | 108,755                 |
|              | TSC Auto ID                  | <u>1,827</u>               | <u>2,488</u>            |
|              |                              | <u><b>\$ 2,184,768</b></u> | <u><b>1,650,780</b></u> |

The selling price of the Company in the aforesaid sales by the Company to related parties is on the basis of cost plus. The payment period for general purchasers is 30 to 120 days after monthly statement, while for the related parties, it is 90 to 120 days after monthly statement, which is subject to adjustment according to their funding needs. In addition, the payment amount between the Company and the related parties is settled on a net basis between receivables and payables.

(ii) Purchase and processing fee

The amount of significant purchases by the Company from related parties were as follows:

|                  | <u>2022</u>                | <u>2021</u>             |
|------------------|----------------------------|-------------------------|
| Subsidiaries:    |                            |                         |
| Yangxin Everwell | \$ 2,398,381               | 2,475,292               |
| TSCC             | 389,561                    | 397,297                 |
| Tianjin Everwell | <u>337,368</u>             | <u>379,063</u>          |
|                  | <u><b>\$ 3,125,310</b></u> | <u><b>3,251,652</b></u> |

The main raw material of the wafers in the rectifiers produced and sold by the Company, is produced by the Company itself or purchased by the Company or Tianjin Everwell as a purchasing agent, and after back end packaging by Yangxin Everwell, the Company purchases the finished product therefrom. In accordance with the regulations, the Company does not recognize the relevant sales revenue and costs thereof. The amount of the wafers delivered in the aforementioned transaction model was \$1,358,613 thousand in 2022 and \$1,226,170 thousand in 2021, and the receivables were calculated based on a negotiated delivery price.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

(iii) Receivables from-related parties

The receivable from-related parties were as follows:

| <u>Account</u>      | <u>Name of related party</u> | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|---------------------|------------------------------|------------------------------|------------------------------|
|                     | Subsidiaries:                |                              |                              |
| Account receivables | TSCH                         | \$ 262,593                   | 352,599                      |
|                     | TSCA                         | 260,841                      | 121,499                      |
|                     | TSCC                         | 76,973                       | -                            |
|                     | TSCJ                         | 70,288                       | 83,872                       |
|                     | TSC Auto ID                  | <u>101</u>                   | <u>1,005</u>                 |
|                     |                              | <u>\$ 670,796</u>            | <u>558,975</u>               |

(iv) Payables to related parties

The payable to related parties were as follows:

| <u>Account</u>   | <u>Name of related party</u> | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|------------------|------------------------------|------------------------------|------------------------------|
|                  | Subsidiaries:                |                              |                              |
| Accounts payable | Yangxin Everwell             | \$ 331,053                   | 593,543                      |
|                  | Tianjin Everwell             | 7,574                        | 11,506                       |
|                  | TSCC                         | <u>-</u>                     | <u>59,187</u>                |
|                  |                              | <u>\$ 338,627</u>            | <u>664,236</u>               |

(v) Commission expense

The Company's payable of commission expense accounts-related parties is stated as follows:

|                  | <u>2022</u>       | <u>2021</u>    |
|------------------|-------------------|----------------|
| Subsidiaries:    |                   |                |
| TSCE             | \$ 138,438        | 102,602        |
| TSCA             | 11,698            | 9,708          |
| Tianjin Everwell | <u>-</u>          | <u>7,925</u>   |
|                  | <u>\$ 150,136</u> | <u>120,235</u> |

Regarding the net foreign sales revenue of the Company through foreign sales subsidiaries as an agent or the purchase of Tianjin Everwell for main wafer materials on behalf of Yangxin Everwell, the commissions are calculated on a monthly basis according to the terms of relevant commission contracts signed and paid after monthly statement.

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

The Companys payable of commission expense accounts-related parties were stated as follows:

| <u>Account</u>                    | <u>Name of related parcy</u> | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|-----------------------------------|------------------------------|------------------------------|------------------------------|
|                                   | Subsidiaries:                |                              |                              |
| Other payables to related parites | TSCE                         | \$ 37,478                    | 54,741                       |
|                                   | TSCA                         | <u>994</u>                   | <u>506</u>                   |
|                                   |                              | <u>\$ 38,472</u>             | <u>55,247</u>                |

(vi) Others

The amounts of other receivables and payables arising out of reimbursed freight and insurance fees and other operating expenses are listed as below:

| <u>Account</u>                    | <u>Name of related party</u> | <u>December 31,<br/>2022</u> | <u>December 31,<br/>2021</u> |
|-----------------------------------|------------------------------|------------------------------|------------------------------|
|                                   | Subsidiaries:                |                              |                              |
| Other receivables                 | Tianjin Everwell             | \$ 1,299                     | -                            |
|                                   | TSCH                         | 661                          | 587                          |
|                                   | TSCC                         | 214                          | 83                           |
|                                   | Yangxin Everwell             | 1                            | -                            |
|                                   | TSC Auto ID                  | <u>-</u>                     | <u>11</u>                    |
|                                   |                              | <u>\$ 2,175</u>              | <u>681</u>                   |
|                                   | Subsidiaries:                |                              |                              |
| Other income                      | TSCA                         | <u>\$ 21,718</u>             | <u>-</u>                     |
| Other payables to related parites | TSCH                         | <u>\$ 83</u>                 | <u>80</u>                    |

(d) Key management personnel compensation

Key management personnel compensation comprised:

|                                | <u>2022</u>       | <u>2021</u>   |
|--------------------------------|-------------------|---------------|
| Short-term employment benefits | \$ 132,239        | 87,605        |
| Post-employment benefits       | <u>977</u>        | <u>1,006</u>  |
|                                | <u>\$ 133,216</u> | <u>88,611</u> |

(8) Pledged assets:None

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

**(9) Commitments and contingencies:**

The guarantee notes provided by the Company to the banks were as follows:

|     | December 31,<br>2022 | December 31,<br>2021 |
|-----|----------------------|----------------------|
| TWD | \$ 2,411,900         | 2,469,210            |
| USD | 21,000               | 21,000               |

As of December 31, 2022 and 2021, the Company has unused letters of credit issued by the Company.

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events: None**

**(12) Other:**

The information on employee benefits, depreciation, and amortization expenses, by function, is summarized as follows:

| By function<br>By item     | December 31, 2022  |                    |         | December 31, 2021  |                    |         |
|----------------------------|--------------------|--------------------|---------|--------------------|--------------------|---------|
|                            | Cost of goods sold | Operating expenses | Total   | Cost of goods sold | Operating expenses | Total   |
| Employee benefits          |                    |                    |         |                    |                    |         |
| Salary                     | 260,059            | 334,789            | 594,848 | 185,144            | 247,712            | 432,856 |
| Labor and health insurance | 25,473             | 12,989             | 38,462  | 20,742             | 13,795             | 34,537  |
| Pension                    | 12,229             | 5,609              | 17,838  | 10,490             | 5,302              | 15,792  |
| Remuneration of directors  | -                  | 21,207             | 21,207  | -                  | 11,996             | 11,996  |
| Others                     | 15,779             | 4,531              | 20,310  | 14,123             | 4,607              | 18,730  |
| Depreciation               | 301,752            | 17,796             | 319,548 | 300,450            | 18,918             | 319,368 |
| Amortization               | 13,736             | 34,707             | 48,443  | 13,013             | 24,430             | 37,443  |

For the years ended December 31, 2022 and 2021, the total numbers of employees and employee benefits were as follows:

|  | 2022     | 2021    |
|--|----------|---------|
| Number of employees                              | 577      | 518     |
| Number of directors who were not employees       | 5        | 4       |
| The average employee benefit                     | \$ 1,174 | 976     |
| The average salaries and wages                   | \$ 1,040 | 842     |
| The adjustment rate of average employee salaries | 23.52 %  | 12.42 % |
| The compensation to supervisor                   | \$ -     | -       |

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**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to the Financial Statements**

The Company's compensation policies (including directors, managers and employees) are as below:

(a) Directors and managers:

The Company has established a Compensation Committee and formulated the “TAIWAN SEMICONDUCTOR Co., LTD. Compensation committee organization book”. The Compensation Committee is responsible for professionally and objectively evaluating the compensation policies and systems for the Company's directors, supervisors and managers in accordance with relevant regulations. Based on the evaluation, the Compensation Committee is to propose suggestions to the Board of Directors for its decisionmaking reference. With the care of a prudent person, the Compensation Committee faithfully performs its duties and submits suggestions to the Board of Directors for discussion. It shall evaluate the achievement of the performance goals of the directors and managers regularly, and determine the content and amount of compensation based on the results from the performance evaluation standards, then submit them to the shareholders meeting.

(b) Employees

The Company has developed an objective salary system to attract outstanding talents externally while ensuring fairness and growth internally. The Company combines the policies regarding employee performance appraisal, salary and reward, and other benefits with its corporate social responsibility policies, thus establishing a clear and effective reward and punishment system. In accordance with the Articles of Incorporation and employee remuneration policies, the Company distributes the profits each year as per employee performance appraisal, making sure that employees enjoy the benefits of the Company's growth. Furthermore, employees are provided with training and policy publicity, so that they can fully understand the Company's relevant compensation and reward policies.

**TAIWAN SEMICONDUCTOR CO., LTD.**  
**Notes to Financial Statements**

**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

| Number | Name of lender | Name of borrower | Account name      | Related party | Highest balance of financing to other parties during the period (Note 4) | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (Note 1) | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral |       | Individual funding loan limits (Note 2) | Maximum limit of fund financing (Note 3) |
|--------|----------------|------------------|-------------------|---------------|--|----------------|---------------------------------------|---|--|---|----------------------------------|------------------------|------------|-------|---|--|
|        |                |                  |                   |               |  |                |                                       |   |  |   |                                  |                        | Item       | Value |   |  |
| 1      | TSC Auto ID    | TSCAA            | Other receivables | Yes           | 225,505  | 214,970        | 52,207                                | 5.25%                                     | 2  | -   | Repayment of bank loans          | -                      | None       | -     | 950,145                                 | 1,900,290                                |
| 2      | TSC Auto ID    | DLS              | Other receivables | Yes           | 322,150  | 307,100        | 168,905                               | 5.25%                                     | 2  | -   | Repayment of bank loans          | -                      | None       | -     | 950,145                                 | 1,900,290                                |

Note 1: Necessity of short-term financing.

Note 2: Limitation on amount of loans to short-term financing company individually by TSC Auto ID is 20% of TSC Auto ID's net asset.

Note 3: Limitation on amount of loans to short-term financing company in total by TSC Auto ID is 40% of TSC Auto ID's net asset.

Note 4: Conversion at exchange rate 32.215 NTD to USD on October 31, 2022.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

| No. | Name of guarantor | Counter-party of guarantee and endorsement |  | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2) | Highest balance for guarantees and endorsements during the period (Note 4) | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (Note 3) | Parent company endorsements / guarantees to third parties on behalf of subsidiary | Subsidiary endorsements / guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|-----|-------------------|--|--|--|--|---|---------------------------------------|---|---|---|---|---|--|
|     |                   | Name                                       | Relationship with the Company (Note 1) |  |  |   |                                       |   |   |   |   |   |  |
| 1   | TSC Auto ID       | TSCAA                                      | 2                                      | 1,900,290  | 386,580  | 368,520   | -                                     | -   | 8.14 %  | 2,850,435   | N   | N   | N  |

Note 1: Subsidiary of the Company.

Note 2: Limitation on amount of guarantees and endorsements for a specific enterprise is 40% of TSC Auto ID's net asset.

Note 3: Limitation on amount of guarantees and endorsement in total is 60% of TSC Auto ID's net asset.

Note 4: Conversion at exchange rate 32.215 NTD to USD on October 31, 2022.

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

| Name of holder | Category and name of security                | Relationship with company | Account title   | Ending balance           |                |                             | Note  |
|----------------|--|---------------------------|---|--------------------------|----------------|-----------------------------|-------|
|                |  |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) |       |
| The Company    | Applied Wireless Identifications Group, Inc. | -                         | Financial assets at fair value through profit or loss-current                 | 243                      | -              | -                           | -     |
| The Company    | Third Dimension (3D) Semiconductor, Inc.     | -                         | Financial assets at fair value through profit or loss-current                 | 921                      | -              | -                           | -     |
| The Company    | Achi Capital Partners Fund LP                | -                         | Financial assets at fair value through other comprehensive income-non-current | -                        | 4,157          | -                           | 4,157 |

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock :None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock :None

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**Notes to Financial Statements**

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock :None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Related party    | Nature of relationship | Transaction details |           |                                     |                        | Transactions with terms different from others |               | Notes/Accounts receivable (payable) |   | Note     |
|-----------------|------------------|------------------------|---------------------|-----------|-------------------------------------|------------------------|---|---------------|-------------------------------------|---|----------|
|                 |                  |                        | Purchase/Sale       | Amount    | Percentage of total purchases/sales | Payment terms (Note 1) | Unit price                                    | Payment terms | Ending balance                      | Percentage of total notes/accounts receivable (payable) |          |
| The Company     | TSCJ             | Subsidiary             | Sale                | (437,947) | (8) %                               |                        | -   |               | 70,288                              | 5%  |          |
| The Company     | TSCH             | Subsidiary             | Sale                | (793,641) | (14) %                              |                        | -   |               | 262,593                             | 20%   |          |
| The Company     | TSCA             | Sub-subsiary           | Sale                | (652,858) | (11) %                              |                        | -   |               | 260,841                             | 20%   |          |
| The Company     | TSCC             | Sub-subsiary           | Sale                | (298,495) | (5) %                               |                        | -   |               | 76,973                              | 6%  | (Note 2) |
| The Company     | TSCC             | Sub-subsiary           | Purchase            | 389,561   | 9 %                                 |                        | -   |               | -                                   | -%  |          |
| The Company     | Yangxin Everwell | Sub-subsiary           | Purchase            | 2,398,381 | 55 %                                |                        | -   |               | (331,053)                           | (49)%   | (Note 2) |
| The Company     | Tianjin Everwell | Sub-subsiary           | Purchase            | 337,368   | 8 %                                 |                        | -   |               | (7,574)                             | (1)%  |          |

Note 1: Open Account 90~120 days. Adjustments depend on demand for funds when necessary.

Note 2: Accounts payable presents at net.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue |              | Amounts received in subsequent period | Allowance for bad debts |
|-----------------|---------------|------------------------|----------------|---------------|---------|--------------|---------------------------------------|-------------------------|
|                 |               |                        |                |               | Amount  | Action taken |                                       |                         |
| The Company     | TSCH          | Subsidiary             | 262,593        | 2.58 %        | -       |              | 107,181                               | -                       |
| The Company     | TSCA          | Sub-subsiary           | 260,841        | 3.73 %        | -       |              | 124,615                               | -                       |

Note 1: As of audit report date.

- (ix) Trading in derivative instruments: Please refer to notes 6(b).

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2022:

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location               | Main businesses and products                           | Original investment amount |                   | Balance as of December 31, 2022 |                         |                | Net income (losses) of investee | Share of profits/losses of investee (Note 1) | Note       |
|------------------|------------------|------------------------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|--|------------|
|                  |                  |                        |  | December 31, 2022          | December 31, 2021 | Shares (thousands)              | Percentage of ownership | Carrying value |                                 |  |            |
| The Company      | Ever Energetic   | British Virgin Islands | Holding company and general import and export business | 665,501                    | 665,501           | 21,175                          | 100.00 %                | 1,559,456      | 123,365                         | 123,365                                      | Subsidiary |
| The Company      | Ever Winner      | British Virgin Islands | Holding company and general import and export business | 465,127                    | 465,127           | 16,010                          | 100.00 %                | 1,786,727      | 322,546                         | 322,546                                      | Subsidiary |
| The Company      | Skyrise          | British Virgin Islands | Holding company and general import and export business | 2,845                      | 2,845             | 50                              | 100.00 %                | 1,856          | (46)                            | (46)   | Subsidiary |
| The Company      | TSCCE            | Germany                | General import and export business                     | 10,972                     | 10,972            | -                               | 100.00 %                | 60,648         | 25,079                          | 25,079                                       | Subsidiary |
| The Company      | TSCJ             | Japan                  | Trading of rectifiers                                  | 28,689                     | 28,689            | 2                               | 100.00 %                | 111,535        | 24,262                          | 24,262                                       | Subsidiary |
| The Company      | TSCH             | Hong Kong              | Holding company and trading of rectifiers              | 282,312                    | 282,312           | 672                             | 25.22 %                 | 604,227        | 250,659                         | 65,405                                       | Subsidiary |
| The Company      | TSC Auto ID      | Taiwan                 | Sale of bar code printers                              | 163,728                    | 163,728           | 15,453                          | 36.35 %                 | 989,014        | 964,909                         | 313,881                                      | Subsidiary |
| Ever Energetic   | TSCA             | United States          | Trading of rectifiers                                  | 258,520                    | 258,520           | 6,750                           | 75.00 %                 | 255,215        | 41,081                          | 30,810                                       | Subsidiary |
| Ever Energetic   | TSCH             | Hong Kong              | Holding company and trading of rectifiers              | 571,628                    | 571,628           | 985                             | 36.96 %                 | 1,230,543      | 250,659                         | 92,644                                       | Subsidiary |
| Ever Winner      | TSCA             | United States          | Trading of rectifiers                                  | 83,813                     | 83,813            | 2,250                           | 25.00 %                 | 85,072         | 41,081                          | 10,271                                       | Subsidiary |
| Ever Winner      | TSCC             | Mainland China         | Trading of rectifiers                                  | 4,461                      | 4,461             | -                               | 100.00 %                | 367,761        | 217,565                         | 217,564                                      | Subsidiary |
| Ever Winner      | TSCH             | Hong Kong              | Holding company and trading of rectifiers              | 792,254                    | 792,254           | 1,008                           | 37.82 %                 | 1,259,176      | 250,659                         | 94,799                                       | Subsidiary |
| TSCH             | Yangxin Everwell | Mainland China         | Manufacture and sale of rectifiers                     | 966,119                    | 966,119           | -                               | 100.00 %                | 2,345,565      | 144,876                         | 144,876                                      | Subsidiary |
| TSCH             | Tianjin Everwell | Mainland China         | Manufacture and sale of wafers                         | 787,044                    | 787,044           | -                               | 100.00 %                | 671,745        | 31,270                          | 31,270                                       | Subsidiary |
| TSC Auto ID      | TSCAE            | Germany                | Trading of bar code printers and other parts           | 2,943                      | 2,943             | -                               | 100.00 %                | (18,046)       | 9,583                           | 9,583  | Subsidiary |
| TSC Auto ID      | TSCAA            | United States          | Trading of bar code printers and other parts           | 1,096,621                  | 1,096,621         | 16,000                          | 100.00 %                | 1,077,842      | 36,363                          | 36,363                                       | Subsidiary |

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| Name of investor | Name of investee | Location             | Main businesses and products   | Original investment amount |                   | Balance as of December 31, 2022 |                         |                | Net income (losses) of investee | Share of profits/losses of investee (Note 1) | Note       |
|------------------|------------------|----------------------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|---------------------------------|--|------------|
|                  |                  |                      |  | December 31, 2022          | December 31, 2021 | Shares (thousands)              | Percentage of ownership | Carrying value |                                 |  |            |
| TSC Auto ID      | TSC HK           | Hong Kong            | Holding company and general import and export business                             | 51,738                     | 51,738            | 11,711                          | 100.00 %                | 570,382        | 96,380                          | 96,380                                       | Subsidiary |
| TSC Auto ID      | Printronic AD    | Taiwan               | Trading of bar code printers and other parts                                       | 5,000                      | 5,000             | 500                             | 100.00 %                | 5,259          | (167)                           | (167)  | Subsidiary |
| TSC Auto ID      | PTNX US          | United States        | Trading of bar code printers and other parts                                       | -                          | 63,021            | -                               | -                       | -              | 8,786                           | (326)  | Subsidiary |
| TSC Auto ID      | DLS              | United States        | Customization of design, integration and marketing of label papers and other parts | 801,558                    | 801,558           | 1                               | 100.00 %                | 1,224,938      | 188,610                         | 188,610                                      | Subsidiary |
| TSC Auto ID      | TSCIN            | India                | Trading of bar code printers and other parts                                       | 2,791                      | 2,791             | 710                             | 100.00 %                | 1,601          | (989)                           | (989)  | Subsidiary |
| TSCAE            | TSCAD            | United Arab Emirates | Trading of bar code printers and other parts                                       | 8,234                      | 8,234             | -                               | 100.00 %                | (8,234)        | (928)                           | (928)  | Subsidiary |
| TSCAE            | TSCAS            | Spain                | Trading of bar code printers and other parts                                       | 124                        | 124               | -                               | 100.00 %                | 2,660          | 337                             | 337  | Subsidiary |
| TSCAA            | PTNX US          | United States        | Trading of bar code printers and other parts                                       | -                          | 45,319            | -                               | -                       | -              | 8,786                           | (6,186)                                      | Subsidiary |
| DLS              | PPL              | United States        | Manufacture and sale of bar code printers and other parts                          | 115                        | 115               | 850                             | 100.00 %                | 29,886         | 15,282                          | 15,282                                       | Subsidiary |
| TSC HK           | TTSC             | Mainland China       | Trading of bar code printers and other parts                                       | 46,065                     | 46,065            | -                               | 100.00 %                | 608,375        | 96,048                          | 96,048                                       | Subsidiary |
| TSC HK           | SPTNX            | Mainland China       | Trading of bar code printers and other parts                                       | 4,729                      | 4,729             | -                               | 100.00 %                | 6,023          | 331                             | 331  | Subsidiary |

Note 1: Calculated by equity according to investee's audited financial report.

Note 2: The 5% shareholding was transferred to TSCAA on July 1, 2022 due to the restructuring in the Group.

Note 3: TSCAA has merged the shares of PTNX US on July 1, 2022.

(c) Information on overseas branches and representative offices: None

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

| Name of investee | Main businesses and products                              | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2022 | Investment flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2022 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) | Book value as of December 31, 2022 | Accumulated remittance of earnings in current period |
|------------------|---|---------------------------------|----------------------|---|------------------|--------|---|-------------------------------------|-------------------------|----------------------------|------------------------------------|--|
|                  |   |                                 |                      |   | Outflow          | Inflow |   |                                     |                         |                            |                                    |  |
| TSCC             | Trading of rectifiers                                     | 4,461                           | (3)                  | 4,461   | -                | -      | 4,461   | 217,565                             | 100.00%                 | 217,565                    | 367,761                            | 264,730  |
| Yangxin Everwell | Manufacture and sale of rectifiers                        | 1,667,160                       | (3)                  | 628,196   | -                | -      | 628,196   | 144,876                             | 100.00%                 | 144,876                    | 2,345,565                          | 250,864  |
| Tianjin Everwell | Manufacture and sale of wafers                            | 387,173                         | (3)                  | 387,173   | -                | -      | 387,173   | 31,270                              | 100.00%                 | 31,270                     | 671,745                            | 452,102  |
| TTSC             | Manufacture and sale of bar code printers and other parts | 46,284                          | (3)                  | 46,065  | -                | -      | 46,065  | 96,048                              | 36.35%                  | 34,913                     | 608,375                            | 787,814  |
| SPTNX            | Manufacture and sale of bar code printers and other parts | 4,408                           | (3)                  | 4,729   | -                | -      | 4,729   | 331                                 | 36.35%                  | 120                        | 6,023                              | -  |

Note 1: Invest company in mainland China through the investment on company located at the third.

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| 1,012,494  | 1,995,214  | 4,837,159                 |

## TAIWAN SEMICONDUCTOR CO., LTD.

### Notes to the Financial Statements

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(d) Major shareholders:

Unit:Share

| Shareholder's Name                             | Shareholding | Shares     | Percentage |
|--|--------------|------------|------------|
| TSC Auto ID Technology Co., Ltd. (TSC Auto ID) |              | 14,800,000 | 5.61 %     |

Note (i):The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total nonphysical common stocks and preferred stocks (including treasury stocks ) on the last business date of each quarter. The registered nonphysical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note (ii):If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider' s equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

**(14) Segment information:**

Please refer to the Consolidated report of 2022.

6.The company and its affiliates in the most recent year and as of the printing date of the annual report. Occurrence of financial difficulties: no such situation

7.The basis and basis of the assessment method of the asset-liability evaluation items in the financial statements :

| Item | Asset and Liability Evaluation Subject       | Basis of Evaluation   | Basis of Evaluation   |
|------|--|---|---|
| 1    | Allowance for loss of inventory depreciation | The allowance for losses on accounts receivable and contract assets is measured by the amount of expected credit losses during the duration. When determining whether the credit risk has increased significantly since the initial recognition, the merging company considers reasonable and verifiable information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and based on the historical experience of the merging company, credit assessment and analysis of forward-looking information.  | The company's allowance for losses on receivables is mainly based on the economic environment, historical payment behaviors and extensive analysis of the credit ratings of the target customers. The allowance account for accounts receivable is used to record allowance losses, unless the company is convinced that the relevant money may not be recoverable, and when it believes that the money cannot be recovered, the allowance will be used to offset the financial assets. |
| 2    | Allowance for loss of inventory depreciation | Relying on sluggish inventory and aging analysis to be scrapped; Measured by the lower of cost and net realizable value, and compare them individually. Cost includes acquisition, production or processing costs and other costs incurred to make it available for use in locations and conditions, and is calculated using the first-in first-out method. The cost of finished goods and work-in-progress inventory includes manufacturing expenses that are amortized in proportion to normal production capacity. The net realizable value is calculated on the basis of the estimated selling price under normal operations on the balance sheet date minus the estimated cost to be completed and the estimated cost required to complete the sale. | (1) Good product: Measured by the lower of cost and net realizable value, and compare them individually<br>(2) Products to be scrapped: 100%  |
| 3    | Depreciation                                 | Depreciation is calculated using  | Except that the land does not need  |

| Item | Asset and Liability Evaluation Subject | Basis of Evaluation   | Basis of Evaluation  |
|------|--|---|--|
|      |  | <p>the straight-line method based on the estimated useful life of the asset after deducting the residual value from the cost of the asset, and is evaluated based on the individual significant components of the asset. If the useful life of a component is different from the other parts of the asset, this component should be separately provided. Column depreciation. The withdrawal of depreciation is recognized as profit or loss. If the depreciation of leased assets can be reasonably confirmed that the company will acquire ownership at the end of the lease period, it shall be listed based on its useful life; the remaining leased assets shall be listed based on the shorter of the lease period and its useful life.</p> | <p>to be depreciated, the estimated service life of the current period and the comparative period are as follows:</p> <p>(1) Housing and construction: 5 to 55 years<br/> (2) Machinery and equipment: 2-10 years<br/> (3) Transportation equipment: 3 to 6 years<br/> (4) Office and other equipment: 3-10 years</p> <p>The depreciation method, service life and residual value are reviewed on each annual report day. If the expected value is different from the previous estimate, adjust it if necessary,<br/> The change shall be dealt with in accordance with the provisions on changes in accounting estimates.</p> |
| 4    | Monetary assets                        | Such financial products include financial assets and receivables that are measured at fair value through profit and loss. Financial assets measured at fair value through profit or loss are held for trading or designated as financial assets measured at fair value through profit or loss. Financial assets held for trading are sold or repurchased in a short period of time because the main purpose of their acquisition or occurrence is to sell or repurchase them.   | The initial recognition is measured at fair value, and the transaction cost is recognized as profit or loss when incurred; afterwards, it is measured at fair value, and then the resulting profit or loss (including related dividend income and interest income) is recognized as profit or loss.  |
| Item | Asset and Liability Evaluation Subject | Basis of Evaluation   | Basis of Evaluation  |
| 5    | Impairment of financial assets         | For financial assets, when determining whether the credit risk has increased significantly since the initial recognition, the merging company considers reasonable and verifiable information (which can be obtained without undue cost or investment), including qualitative and quantitative information, and according to the merger company's information Analysis of historical experience, credit evaluation and forward-looking information.   | Expected credit loss is the probability-weighted estimate of the credit loss during the expected life of the financial instrument. Credit loss is measured based on the present value of all short-term cash receipts, that is, the difference between the cash flow that the merging company can receive under the contract and the cash flow that the merging company expects to receive. Expected credit losses are discounted at the effective interest rate of financial assets.  |

| Item | Asset and Liability Evaluation Subject | Basis of Evaluation   | Basis of Evaluation   |
|------|--|---|---|
|      |  |   | <p>On each reporting date, the merging company assesses whether there are credit impairments for financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive gains and losses. When one or more events that have an adverse effect on the estimated future cash flow of a financial asset have occurred, the financial asset has been credit-impaired.</p>   |
| 6    | Delisting of financial assets          | <p>The company only delists financial assets when the contractual rights from the cash flow of the asset are terminated, or the financial asset has been transferred and almost all the risks and rewards of the asset's ownership have been transferred to other companies.</p>  | <p>Same as left.</p>  |
| 7    | Impairment of non-financial assets     | <p>Regarding non-financial assets other than inventories and deferred income tax assets, the company assesses whether impairment has occurred on each reporting day, and estimates the recoverable amount of assets with signs of impairment. If the recoverable amount of an individual asset cannot be estimated, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs to assess the impairment.</p> | <p>The recoverable amount is the higher of the fair value of the individual asset or cash-generating unit minus the cost of disposal and its value in use. When evaluating the value in use, the estimated future cash flows are converted to the present value at a pre-tax discount rate, which should reflect the current market's assessment of the time value of money and the specific risks of the asset or cash-generating unit. If the recoverable amount of an individual asset or cash-generating unit is lower than the book amount, the book amount of the individual asset or cash-generating unit will be adjusted to the recoverable amount, and the impairment loss will be recognized. The impairment loss is immediately recognized in the current profit and loss.</p> <p>The company reassesses on each reporting date whether there are signs that the impairment losses recognized for non-financial assets in previous years may no longer exist or have decreased. If there is any change in the estimate used to determine the recoverable amount, the impairment loss shall be reversed to increase the carrying</p> |

| Item | Asset and Liability Evaluation Subject | Basis of Evaluation | Basis of Evaluation   |
|------|--|---------------------|---|
|      |  |                     | amount of the individual asset or cash-generating unit to its recoverable amount, but not exceeding if the individual asset or cash-generating unit has not been recognized in the previous year<br>When depreciation or amortization is listed, the book amount after depreciation or amortization should be deducted. |

## 7. Review and analysis of financial status and operating results and risk issues

### 1. Review and analysis of financial status

#### 1、Comparative Analysis Table for Financial Status

Unit:NTD\$'000

| Item  | Year | 2022 Year<br>(Merged) | 2021 Year<br>(Merged) | Difference |          |
|---|------|-----------------------|-----------------------|------------|----------|
|   |      |                       |                       | Amount     | %        |
| Current assets                                      |      | 11,071,211            | 8,868,174             | 2,203,037  | 24.84%   |
| Real estate, plant and equipment                    |      | 4,483,033             | 4,501,135             | (18,102)   | (0.40)%  |
| Intangible assets                                   |      | 1,444,978             | 1,412,442             | 32,536     | 2.30%    |
| Other assets  |      | 1,217,597             | 1,204,220             | 13,377     | 1.11%    |
| Total assets  |      | 18,216,819            | 15,985,971            | 2,230,848  | 13.96%   |
| Current liabilities                                 |      | 5,352,057             | 4,304,035             | 1,048,022  | 24.35%   |
| Non-current liabilities                             |      | 2,139,279             | 2,454,427             | (315,148)  | (12.84)% |
| Total liabilities                                   |      | 7,491,336             | 6,758,462             | 732,874    | 10.84%   |
| Equity attributable to owners of the parent company |      | 8,061,932             | 7,026,655             | 1,035,277  | 14.73%   |
| Equity  |      | 2,634,854             | 2,650,854             | (16,000)   | (0.60)%  |
| Capital reserve                                     |      | 2,137,088             | 2,166,799             | (29,711)   | (1.37)%  |
| Retained surplus                                    |      | 4,155,591             | 3,247,117             | 908,474    | 27.98%   |
| Other rights  |      | (359,558)             | (531,125)             | 171,567    | (32.30)% |
| Treasury stock                                      |      | (506,043)             | (506,990)             | 947        | (0.19)%  |
| Non-controlling interests                           |      | 2,663,551             | 2,200,854             | 462,697    | 21.02%   |
| Total equity  |      | 10,725,483            | 7,848,589             | 1,497,974  | 16.23%   |

### 2. Description of major variations of accounting items: (The change ratio is less than 20%, and analysis and explanation are exempted).

- a) The increase in current assets was mainly due to the significant increase in revenue and net profit.
- b) The increase in current liabilities is mainly due to the increase in short-term borrowings.
- c) The increase in retained earnings was mainly due to the significant increase in revenue and net profit.

- d) The increase in other equity is mainly due to the increase in exchange differences on the translation of financial statements of foreign operating entities.
- e) The increase in non-controlling interests was mainly due to the growth in revenue of subsidiaries that were not 100% recognized.
3. The impact of major changes in current liabilities and long-term liabilities due within one year in the last two years and future response plans:

The company's current liabilities in 2022 increased by NT\$1,048,022 thousand compared with that in 2021, mainly due to a increase of NT\$545,089 thousand in short-term bank loans and an increase of NT\$257,349 thousand in long-term loans which is due within one year. Based on the quarterly financial report, the company's consolidated working capital is NT\$5,719,154 thousand, which is sufficient to cover changes in current liabilities.

## 2. Review and analysis of financial performance

### 1. Comparative analysis of financial performance

Unit : NTDS'000

| Item  | Year                  |                  | Increase<br>or<br>decrease<br>Amount | Change<br>ratio |
|---|-----------------------|------------------|--------------------------------------|-----------------|
|   | 2022 Year<br>(Merged) | 2021<br>(Merged) |                                      |                 |
| Net operating income  | 15,687,134            | 13,177,417       | 2,509,717                            | 19.05%          |
| Operating cost  | 10,337,968            | 9,049,696        | 1,288,272                            | 14.24%          |
| Operating margin  | 5,349,166             | 4,127,721        | 1,221,445                            | 29.59%          |
| Operating expenses  | 2,558,645             | 2,218,814        | 339,831                              | 15.32%          |
| Business interest   | 2,790,521             | 1,908,907        | 881,614                              | 46.18%          |
| Non-operating income and expenses   | 223,409               | 38,725           | 184,684                              | 476.91%         |
| Net profit before tax   | 3,013,930             | 1,947,632        | 1,066,298                            | 54.75%          |
| Income tax expense  | 837,015               | 565,737          | 271,278                              | 47.95%          |
| Net profit for the period   | 2,176,915             | 1,381,895        | 795,020                              | 57.53%          |
| Other comprehensive profit and loss_(net after tax)   | 301,158               | (112,081)        | 413,239                              | (368.70)%       |
| Total comprehensive profit and loss for the current period                                  | 2,478,073             | 1,269,814        | 1,208,259                            | 95.15%          |
| Net profit for the period attributable to the owners of the parent company                  | 1,562,887             | 882,805          | 680,082                              | 77.04%          |
| Non-controlling interests   | 614,028               | 499,090          | 114,938                              | 23.03%          |
| The total comprehensive profit and loss is attributable to the owners of the parent company | 1,738,755             | 809,542          | 929,213                              | 114.78%         |
| Total comprehensive profit and loss attributable to non-controlling interests               | 739,318               | 460,272          | 279,046                              | 60.63%          |
| Earnings per share (NT\$)   | 6.28                  | 3.55             | 2.73                                 | 76.90%          |

Analysis and explanation of the increase and decrease ratio:

In 2022, the Company showed significant growth in overall performance as compared with 2021, mainly due to the Company's active and continuous deployment of vehicle electronics, industrial control, servers, and analog IC in the area of rectifiers, the operation of barcode printing machine products in various label papers and its consumables grew, the overall cost, gross profit, and expenses were well controlled, and in addition; increase in gain on recognition of the transfer of investment and exchange gain; The decrease in non-operating income and expenses from the previous period was mainly due to the impact of government grant income in 2021. In summary, the net profit before tax for 2022, net profit for the current period, total consolidated profit or loss for the current period, and net profit for the current period attributable to owners of the parent companies all increased significantly compared to 2021.

2. Analysis of changes in operating gross profit:

The main business items sold by the relevant operating departments of the company in 2022 are the manufacturing and trading of rectifiers and bar code printers. The gross profit margin for 2022 is 34% and the gross profit margin for 2021 is 31%, and the rate of change is less than 20%.

3. Review and analysis of cash flow

1. Liquidity analysis in the last two years

| Item \ Year   | 2022 Year      | 2021 Year      | Increase or decrease ratio (%) |
|---|----------------|----------------|--------------------------------|
|   | (Consolidated) | (Consolidated) |                                |
| Cash flow ratio   | 41.05          | 46.29          | (11.32)%                       |
| Allowable cash flow ratio   | 102.76         | 95.19          | 7.95%                          |
| Cash reinvestment ratio   | 9.8            | 11.36          | (13.73)%                       |
| Analysis and explanation of the increase and decrease ratio:<br>No need of analysis since the change is less than 20% for the current period. |                |                |                                |

## 2、Analysis of cash liquidity in the coming year (2023)

Unit: NTDS'000

| Beginning cash balance (1) | Estimated annual net cash flow from operating activities (2) | Estimated annual cash outflow from non-operating activities (3) | Estimated cash surplus (insufficient) amount (1)+(2)+(3) | Remedial measures for expected cash shortage |                |
|----------------------------|--|---|--|--|----------------|
|                            |  |   |  | Investment plan                              | Financing plan |
| 3,595,681                  | 3,000,000  | (2,500,000)   | 4,095,681  | —  | Bank loan      |

(1) Analysis of cash flow changes in the next year:

(a) The net cash inflow from operating activities is mainly the cash inflow generated by the company's operations.

(b) The cash outflow is mainly due to the cash dividends paid to shareholders in response to operating needs, estimated capital expenditures and the 2022 earnings distribution plan.

(2) Remedial measures and liquidity analysis of estimated cash surplus (insufficient): The company's estimated cash outflow in the next year is mainly due to future operating needs. In addition to the cash inflow from operating activities, it will be used when the cash balance is insufficient. Respond with bank borrowings.

4. The impact of major capital expenditures in the most recent year on financial operations:

The company and its subsidiaries purchased machinery and equipment and other real estate, plant and equipment for a total amount of NT\$526,957 thousand in 2022. The main reason is that the company and its subsidiary TSC Auto ID Technology will replace some of the machinery and equipment or automation needs in response to future operational needs, expecting to improve the process capability, strengthen product research and development, and improve product quality to meet customer needs, a positive effect on the company's financial business.

5. The reinvestment policy in the most recent year, the main reason for its profit or loss, improvement plan and investment plan for the next year:

1. Reinvestment policy

The company's newly-increased reinvestment will focus on semiconductor-related businesses, and will gradually reduce non-core issues.

Industry re-investment; other financial assets held at cost, reported on the date of deposit financing

For the measurement of production impairment, the reasonable estimate of its fair value cannot be reasonably assessed, so it cannot reliably measure the amount.

## 2.Reinvestment situation and main reasons for profit or loss

Unit : NTDS'000

| Reinvestment company                        | Investment gains and losses in the most recent (2022) year | The main reason for profit or loss  | Improvement Program                                 |
|---|--|---|---|
| Ever Energetic Int.l Ltd.                   | 123,365  | Share of profit in subsidiaries for using the equity method   | None  |
| Ever Winner Int'l Co., Ltd.                 | 322,546  | Share of profit in subsidiaries for using the equity method   | None  |
| Skyrise Int'l Ltd.                          | (46)   | Annual fee for offshore companies   | None  |
| Taiwan Semiconductor Europe GmbH (TSCE)     | 25,079   | Stable profitability from sales of rectifiers to the European market  | Continued market expansion to boost turnover        |
| Taiwan Semiconductor Japan Ltd.(TSCJ)       | 24,262   | Stable profits from sales of rectifiers to the Japanese market  | Continued market expansion to boost turnover        |
| Taiwan Semiconductor (H.K.) Co., Ltd.(TSCH) | 252,848  | Stable profits from sales of rectifiers to the China market   | Continued market expansion to boost turnover        |
| TSC Auto ID Technology Co.                  | 313,881  | Sales of barcode printers and printers of various types of label paper with well-controlled costs and expenses and stable profitability | Continued market expansion to boost turnover        |
| TSC America                                 | 41,081   | Stable profitability from sales of rectifiers to the Americas market  | Continued market expansion to boost turnover        |
| Shanghai Great International Trade Co.      | 217,564  | Stable profits from sales of rectifiers to the China market   | Continued market expansion to boost turnover        |
| Yangxin Everwell Electronics Co.            | 144,876  | Costs and expenses for the production of rectifiers are well managed  | Continuously manage costs and improve profitability |
| Tianjin Everwell Technology Co.             | 31,270   | Costs and expenses for the production of rectifiers are well managed  | Continuously manage costs and improve profitability |
| TSC Auto ID Technology EMEA GmbH (TSCAE)    | 9,582  | Stable profits from sales of barcode printers to the European market  | Continued market expansion to boost turnover        |
| TSC Auto ID (H.K.) Ltd. (TSCHK)             | 96,379   | Stable profits from sales of barcode printers to the China market   | Continued market expansion to boost turnover        |

| Reinvestment company                             | Investment gains and losses in the most recent (2022) year | The main reason for profit or loss  | Improvement Program                                 |
|--|--|---|---|
| TSC Auto Technology America Inc. (TSCAA)         | 36,363   | Stable profitability from sales of barcode printers to the Americas   | Continued market expansion to boost turnover        |
| Printronix Auto ID Technology Ltd.               | (167)  | The sales business has been transferred to TSC and is now primarily a service income business                               | None  |
| TSC Auto ID Technology ME, Ltd. FZE (TSCAD)      | (928)  | Development of sales of barcode printers to the Middle East market, sales business has not yet stabilized                   | Continued market expansion to boost turnover        |
| TSC Auto ID Technology Spain, S.L. (TSCAS)       | 337  | Sales of barcode printers to Western European markets   | None  |
| Tianjin TSC Auto ID Technology Ltd.              | 96,048   | Costs and expenses of barcode printer production are well managed   | Continuously manage costs and improve profitability |
| Shenzhen Printronix Auto ID Technology Co., Ltd. | 331  | Sales of barcode printers to the China market   | None  |
| Diversified Labeling Solutions Inc.              | 188,611  | Stable profits from sales of printer labels and consumables to the Americas   | Continued market expansion to boost turnover        |
| Precision Press & Label, Inc.                    | 15,282   | Stable profits from sales of printer labels and consumables to the Americas   | Continued market expansion to boost turnover        |
| TSC Auto ID Technology India Private Ltd.        | (989)  | Development of planned sales of barcode printers to the Indian market, which has not yet generated primary operating income | Continued market expansion to boost turnover        |

### 3. Investment plan for the next year

The company will uphold the existing reinvestment policy and make investment at the appropriate time based on changes in the industrial environment.

### 6. Analysis and assessment of risk issues in the most recent year and as of the date of publication of the annual report:

1. The impact of interest rate, exchange rate changes, and inflation on the company's profit and loss and future countermeasures:

Unit : \$NTD'000

| Item | Impact on the company's profit and loss |           |             |
|------|---|-----------|-------------|
|      | Subject                                 | 2022 Year | Season 1 of |
|      |   |           |             |

|                       |                                  | (consolidated) | 2023 (consolidated) |
|-----------------------|----------------------------------|----------------|---------------------|
| Interest rate         | Interest expense                 | 38,330         | 16,829              |
| Exchange rate changes | Net conversion (profit) and loss | 261,843        | (3,426)             |
| Inflation             | —                                | —              | —                   |

(1) The impact of interest rate, exchange rate changes, and inflation on the company's profit:

The company monitors the company's cash position and plans appropriate financing channels to control liquidity risk for financial assets and financial liabilities risk exposure. The company's working capital is sufficient to meet the cash demand when the long-term and short-term loan contracts expire, so there is no liquidity risk of raising funds to repay the loan. The sensitivity analysis is determined based on the interest rate risk of derivative and non-derivative instruments on the reporting date. For floating-rate liabilities, the analysis method is based on the assumption that the amount of liabilities out of circulation at the reporting date will be out of circulation throughout the year. The rate of change used by the company when reporting interest rates internally to key management is an increase or decrease of 1% in interest rates, which also represents management's assessment of the reasonably possible range of changes in interest rates.

If the interest rate increases or decreases by 1% and all other variables remain unchanged, the company's net profit before tax for the year of 2022 will decrease or increase by NT\$28,733 thousand, mainly due to the company's variable interest rate bank borrowings.

(2) The company's specific measures in response to exchange rate changes:

- (a) The company regularly analyzes the exchange rate trend, monitors the company's cash position at any time and makes appropriate plans Financing channels, assess the interest rate of bank borrowings, and keep in close contact with the bank so as to grasp the latest changes in foreign exchange rates to control liquidity risks.
- (b) Engage in forward foreign exchange transactions to avoid the exchange rate risk of foreign currency accounts receivable to offset foreign exchange Possible risks.
- (c) Adjust foreign currency deposits in a timely manner based on capital status and exchange changes.

(3) The impact of inflation and corresponding measures:

As the price of oil and electricity rises, the price of raw materials rises, causing pressure to rise. The company's current strategy is to reduce the cost of raw materials and increase high additional prices through continuous research and

development.

Value products to reduce the impact of inflation on the rise of raw materials.

2. Policies for engaging in high-risk, high-leverage investments, fund loans to others, endorsements, and derivative commodity transactions, the main reasons for profit or loss, and future countermeasures:

(1) The company does not engage in high-risk, high-leverage investments and fund loans to others.

(2) Endorsement guarantee: According to the company's endorsement guarantee method, as of the printing date of the annual report, this company The company has no endorsement to guarantee the situation.

(3) Derivative commodity trading:

(a) Policy:

The principle of hedging purpose is to conduct reverse hedging transactions against the risks of market price fluctuations in interest rates and exchange rates for assets or liabilities that the company actually owns or is determined to own.

(b) The main reason for profit or loss:

Due to the impact of exchange rate changes.

(c) Future response measures:

In addition to the special personnel responsible for derivative commodity transactions, the company also distributes regular or irregular distributions. Analysis and discussion in order to minimize foreign exchange risk.

3. Future R&D plans and estimated R&D expenses:

(1) New products and services planned to be developed

a. Wafer products (progress→under development):

(1) Lower loss Schottky wafer Trench Schottky wafer

(2) Automotive grade high junction temperature 175°C trench Schottky wafer

(3) Automotive and industrial-grade high-voltage 1200V fast recovery wafers

(4) Faster wafer recovery ( $T_{rr} < 15\text{nS}$ ) for automotive and industrial applications

(5) Automotive and industrial and ultra-low loss 600V, 800V, 1200V, 1600V Rectifier wafer

(6) Low voltage (<10V) surge suppressor wafer

(7) High voltage (220V-550V) surge suppressor wafer

b. Packaged products (progress→under development):

comprehensively improve high-density, ultra-high-speed automated production and improve the flat super-high weldability for vehicles

- (1) The establishment of ThinDPAK SMD fully automated production line
  - (2) PDFN56 (U-foot Wettable Flank Lead design)
  - (3) SMPC (U-pin Wettable Flank Lead design)
- c. Barcode printer products: Regarding matters to be disclosed by the barcode printer department (TSC Auto ID Technology), TSC Auto ID Technology (stock code: 3611) has compiled its own annual report, please Refer to the company's annual report.
- (2) Estimated investment in research and development expenses: The estimated investment in research and development expenses incurred by all merged companies in the year 2023 is NT\$365,344 thousand.
  - (3) Estimated time to complete mass production: It is expected to be completed in 2023-2025
  - (4) The main factors affecting the success of research and development in the future: manpower and process design.

4. The impact of important domestic and foreign policies and legal changes on the company's financial business and corresponding measures:

The company pays attention to important domestic and foreign policies and legal changes at any time, and evaluates the possible impact. There has been no major policy or legal change that has adversely affected the company's financial business in the recent year.

5. The impact of technological changes(including Information security risks) and industrial changes on the company's financial business and corresponding measures:

The company's rectifier products are the basic parts of electronic products. The changes in technology still require the use of the company's products, and the company actively invests in research and development, promotes the application of the company's products, and improves competitiveness. This is the goal of the company's efforts. (please refer to P166)

6. The impact of corporate image changes on corporate crisis management and countermeasures:

The company has always been committed to maintaining a good corporate image and complying with laws and regulations, and there is nothing that affects the corporate image.

7. Expected benefits and possible risks of mergers and acquisitions: No such situation.

8. Expected benefits and possible risks of expanding the plant:

In terms of rectifier products, the company's expanded plant is for use by the

semiconductor division. These products are the company's current main products. The relevant personnel have many years of operating experience, regardless of suppliers, customers, and production processes. A high degree of mastery will effectively reduce the risk of plant expansion and increase the company's revenue.

9. Possible risks faced by purchase or sale of goods:

In order to reduce credit risk, the company continuously evaluates the financial status of customers and the possibility of recovery of their accounts receivable, and makes appropriate allowances for bad debts. Major customers have good credit records in the past, and in accordance with internal control regulations for suppliers, relevant units are required to do a good job in supplier management, and the company has a large customer base and suppliers, and does not significantly concentrate on transactions with a single customer or supplier. Therefore, The company has never suffered major credit risk losses due to these major customers or suppliers.

10. Directors, supervisors or major shareholders holding more than 10% of the shares, transfer or replacement of a large number of shares impact on the company and risks: No such situation.

11. The impact and risk of the change of operating rights on the company: no such situation.

12. Major litigation, non-litigation or administrative litigation in which the company's directors, supervisors, managers, substantive persons in charge, major shareholders holding more than 10% of the shares, and affiliated companies have determined or are still in the family For events whose results may have a significant impact on shareholder rights or securities prices, the facts in dispute, the amount of the subject matter, the start date of the litigation, the main parties involved in the litigation, and the handling conditions as of the printing date of the annual report should be disclosed: no such circumstances.

13. Other important risks and corresponding measures: None.

7. Other important matters:

1. Financial risk management:

(1) Summary: The company is exposed to the following risks due to the use of financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

(2) Risk management structure

The board of directors is solely responsible for establishing and supervising the company's risk management structure, and is responsible for developing and controlling the risk management policies of the combined company.

The establishment of the company's risk management policy is to identify and analyze the risks faced by the company, set appropriate risk limits and controls, and supervise the compliance of risks and risk limits. Risk management policies and systems are regularly reviewed to reflect market conditions and changes in the company's operations. The company develops a disciplined and constructive control environment through training, management standards and operating procedures, so that all employees understand their roles and responsibilities.

The audit committee of the company supervises how management personnel monitor the compliance of the company's risk management policies and procedures, and review the appropriateness of the company's risk management structure for the risks they face. Internal auditors assist the audit committee of the company to play a supervisory role. These personnel conduct regular and exceptional review of risk management controls and procedures, and report the review results to the Audit Committee.

(3) Credit risk

Credit risk is the risk of the company's financial loss due to the inability of customers or financial instrument counterparties to fulfill contractual obligations, and mainly comes from the company's accounts and investments receivable from customers.

(a) Accounts receivable and other receivables

The company has established a credit policy. According to this policy, the company must analyze the credit rating of each new customer individually before granting standard payment and shipping conditions and terms. The company's review includes, if available, an external rating, and in some cases, a note from the bank. The purchase limit is established based on individual customers and represents the maximum outstanding amount that does not need to be approved by the board of directors. This limit is regularly reviewed. Customers who do not meet the company's benchmark credit rating can only trade with the company on an advance receipt basis. If the sale of goods has a retention-of-title clause, the company may have the right to claim for security in the event of non-payment. The company does not require collateral for accounts receivable and other receivables.

(b) Investment

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and monitored by the company's financial department. Since the company's transaction partners and contract performance parties are creditworthy banks and financial institutions, corporate organizations and government agencies with investment grade and above, there are no major performance concerns, so there is no major credit risk.

(c) Guarantee

The company's policy stipulates that only financial guarantees can be provided to fully owned subsidiaries. As of December 31, 2022, the company has not provided any endorsement guarantee.

(4) Liquidity risk

The company manages and maintains sufficient cash and cash equivalents to support the company's operations and reduce the impact of cash flow fluctuations. The company's management personnel supervise the use of bank financing lines and ensure compliance with the terms of the loan contract. Bank loans are an important source of liquidity for the company. As of December 31, 2022, the company's unused bank financing line was NT\$5,316,240 thousand.

(5) Market risk

Market risk refers to the risk that changes in market prices, such as exchange rates, interest rates, and equity instrument prices, affect the company's earnings or the value of financial instruments held. The goal of market risk management is to control the risk of market risk within a tolerable range and to optimize the return on investment. To manage market risks, the company engages in derivative transactions, which in turn generates financial assets and liabilities. All transactions are executed in accordance with the guidelines of the Risk Management Committee.

(a) Exchange rate risk

The company regularly analyzes the trend of foreign exchange rates, monitors the company's cash position at any time, and plans to raise funds appropriately. Capital channels, assess the interest rate of bank borrowings, and keep in close contact with the bank to keep abreast of the most.

To control the liquidity risk due to changes in the interest rate of Xinhui, the company engages in forward foreign exchange transactions. Avoid the exchange rate risk of foreign currency accounts receivable to offset the risks that may arise from foreign exchange and consider the capital foreign currency deposits shall be adjusted in due course on the status and exchange rate changes.

(b) Interest rate risk

The company's policy is to ensure that the risk insurance against changes in borrowing interest rates is based on a fixed interest rate.

(c) Other market price risks

The company incurs equity price risk insurance due to equity securities investment in the listed counter. The equity investment is not Holding for trading is a strategic investment. The company does not actively trade these investments, and the company's management personnel manage risks by holding a portfolio of different risk investments. In addition, the company assigns a specific team to monitor price risk and evaluate when to increase the risk-averse position.

2. Risk management policies and procedures, disclosure of risk management scope, organizational structure, and its operation

(1) Risk management policies and procedures

The Company has already set the "Measures for the Management of Professional Ethics Risk Assessment", "Measures for the Management of Social Responsibility Risk Assessment", "Procedures for the Identification and Risk Management of Safety and Health Hazards", "Procedures for the Operation of Risk and Opportunity Management" and "Procedures for the Identification and Management of Environmental Considerations" as the guiding principles for the Company's Risk Management. The Company periodically evaluates exposures and prepares risk management policies for each risk exposure annually, covering management objectives, organizational structure, accountability and risk management procedures, and execution of such mechanisms to effectively identify, measure and control risks of the Company, to control risks arising from business activities to an acceptable extent. Performance of 2022 was reported to the Board of Directors on March 15, 2023.

(2) Risk management scope

The Company is committed to proactively and cost-effectively integrating and managing all potential risks such as strategies, operations, finance and hazards that may affect its operations and profitability by identifying potential risks through risk categories with the objective of providing appropriate risk management to all stakeholders. The Company's risk management includes all internal processes and activities, including: management of "market risk", "clearance risk", "professional ethics risk", "financial risk", "social responsibility risk", "raw material risk", "water resource risk", "climate change risk", "occupational safety and health risk", "environmental risk", "natural disaster risk" and "Information Security Risks", etc.

(3) Organizational Structure

(a) The Board oversees the Company's risk management structure to develop and control the risk management policies of the Consolidated Companies.

The responsible department of the risk control unit of the Company is the "general manager's office", which is responsible for the definition, establishment, execution, recording, maintenance and continuous and effective management of risk procedures and is responsible for the guidance. The Company's risk management policy is established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor compliance with risk and risk limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the operations of the Company. The Company develops a disciplined and constructive control environment through training, management standards and operation procedures to enable all employees to understand their roles and obligations.

The audit committee of the Company reviews how management monitors the Company's risk management policies and procedures and review the adequacy of the Company's risk management framework for risk exposures. The internal audit staff assist the audit committee of the Company in its review. These personnel review risk management controls and procedures on a regular and exceptional basis and report the findings to the Audit Committee.

(b) Risk Management Organization Table

| Important risk assessment items   | The first layer and risk control (each department unit being in charge of) | Second-level risk review and control              | The third level of risk review and control | Implementation effectiveness review at the fourth level                                      |
|---|--|---|--|--|
| 1. Interest rate, exchange rate and financial risks   | Finance Department   | Factory Supervisor or Associate or Vice President | President or Chairman                      | Auditing unit: risk inspection, evaluation, supervision, improvement tracking, and reporting |
| 2. Fund loans to others, endorsement guarantee operations, derivative commodity transactions and financial wealth management investment | Finance Department   |   |  |  |
| 3. R&D plan   | R&D Department   |   |  |  |
| 4. Corporate Image  | Management Department of General Management                                |   |  |  |

| Important risk assessment items   | The first layer and risk control (each department unit being in charge of)                                 | Second-level risk review and control | The third level of risk review and control | Implementation effectiveness review at the fourth level |
|---|--|--------------------------------------|--|---|
|   | Office, various plant affairs departments  |                                      |  |   |
| 5. Expansion or production  | Manufacturing departments  |                                      |  |   |
| 6. Investment, reinvestment and M&A benefits                              | President's Office, Finance Department and related units   |                                      |  |   |
| 7. Changes in policies and laws   | President's Office, General Management Office Management Department, and Factory Affairs Departments       |                                      |  |   |
| 8. Changes in the equity of directors, supervisors and major shareholders | President's Office, Board of Directors   |                                      |  |   |
| 9. Litigation and non-litigation matters                                  | Legal Affairs Department, General Management Office Management Department, and Factory Affairs Departments |                                      |  |   |
| 10. Personnel conduct, ethics and ethics                                  | Management Department of General Management Office, various plant affairs departments                      |                                      |  |   |
| 11. Compliance with SOP and regulations                                   | Supervisors at all levels  |                                      |  |   |

#### (4) Operation

The Group has established an internal control system in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies", which is effectively implemented and regularly reviewed to ensure the system is designed and implemented in a sustainable manner in response to changes in the internal and external environment. Risk management policies and organizations, identifying risk events as responsible actions for strengthening the operations of the Company, implementing various risk controls, reducing operational risks and crises, and achieving the goal of sustainable operation.

The Company actively promotes the implementation of the risk management mechanism and reports its operations to the Board once a year.

The principal operating situations in 2022 are as follows:

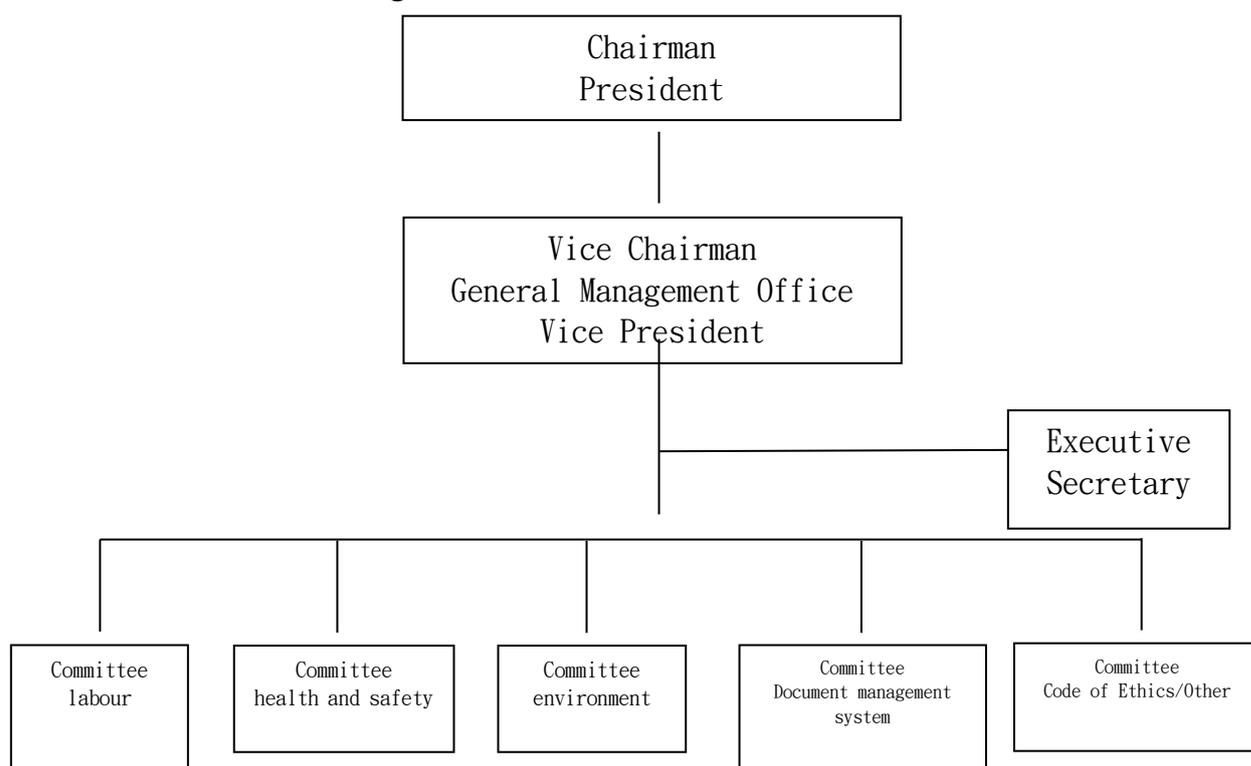
(a) The general manager office establishes the risk management policy of the Company.

(b) The Audit Unit shall perform the risk identification and annual audit for potential risks.

(c) Strengthening the implementation of risk management mechanisms and the unit supervision of the General Manager Office.

(d) The concept of risk management was promoted by the RBA members to enhance the Company's operational risk cultural awareness and awareness.

RBA Electronic Industry Code of Conduct  
Organizational chart of the Committee



(5) Risk assessment and related risk management policies or strategies

The Company carries out risk assessment on key issues in relation to the principle of materiality in corporate sustainable development and sets relevant risk management policies or strategies based on the risk arising from the evaluation. in addition; The Company's control of risks requires the involvement of relevant units to be informed, and legal advisers or audit units to be advised if necessary. In normal times, if it is found that there is an immediate risk, it may also report to the superior immediately for proper prevention. Major matters such as investment and financial management, signing of important contracts and major procurement cases shall be reviewed at meetings and regularly reviewed by the audit unit.

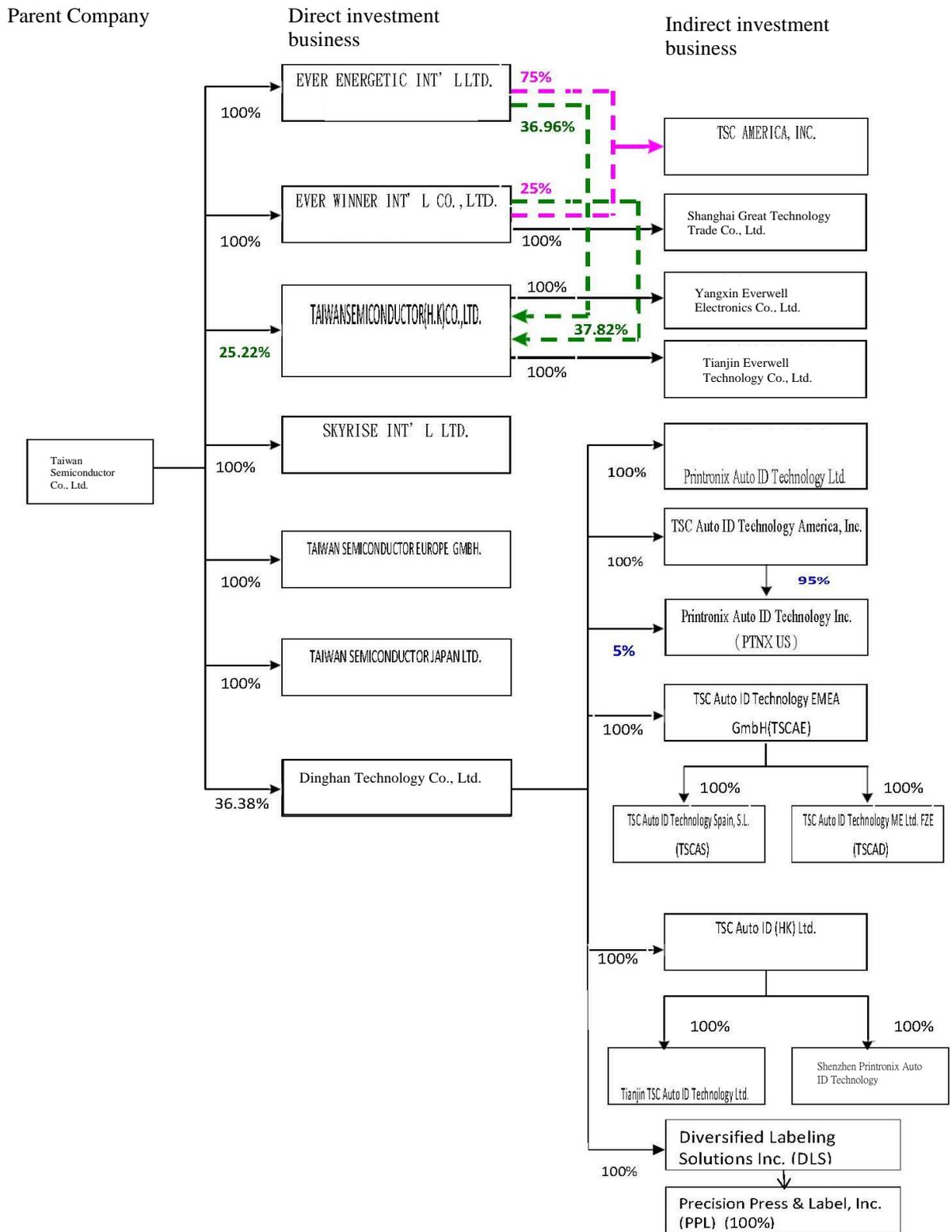
8. Special records

1. Related information of related companies

1. Consolidated business report of affiliated companies

(1) The overview of the affiliates (2022.12.31)

## Affiliated company organization chart



The description of the relationship enterprise diagram is as follows:

- (1) Taiwan Semiconductor Co., Ltd. (parent company) was established in January 1968, and its stocks were listed on the OTC in February 1989. Currently, it is mainly engaged in the manufacturing and trading of rectifiers.

- (2) EVER ENERGETIC INT'L LTD. (Changxing International Co., Ltd.) was established in the British Virgin Islands in 1984, mainly for the investment business of various production businesses and general import and export business.
- (3) EVER WINNER INT'L CO., LTD. was established in the British Virgin Islands in 1985, mainly for investment in various production businesses and general import and export business.
- (4) Yangxin Everwell Electronics Co., Ltd. was approved by EVER ENERGETIC INT'L LTD. (Changxing International Co., Ltd.) to invest and establish in Shandong Province, China, after the investment review letter (84) No. 84019666 on November 27, 1995. Yangxin County mainly produces and sells rectifier parts.
- (5) Tianjin Everwell Technology Co., Ltd. was approved by EVER WINNER INT'L CO., LTD. (Changsheng International Co., Ltd.) investment and establishment on August 27, 1996 through the investment review letter (85) No. 85012488. In the Tianjin Economic and Technological Development Zone in mainland China, it mainly produces and sells chips.  
In order to comply with laws and regulations and integrate the organization structure of overseas investment, the company reported to the Ministry of Economic approved by the meeting committee to change the investment framework of the company's reinvestment business in December 1996. From the original 100% indirect investment through Ever Energetic and Ever Winner, the equity of Yangxin Everwell Electronics Co., Ltd. and Tianjin Everwell Technology Co., Ltd., which were set up in mainland China, changed to the company's joint venture with Ever Energetic and Ever Winner. TSCH 100% indirect reinvestment.
- (6) SKYRISE INT'L LTD. was established in the British Virgin Islands in 1987, mainly for the parent company's investment business in various production businesses and general import and export business.
- (7) TSC AMERICA, INC. was jointly invested and established in California by EVER ENERGETIC INT'L LTD. (Changxing International Co., Ltd.) and EVER WINNER INT'L CO., LTD. (Changsheng International Co., Ltd.) in 1985. , Mainly to expand the marketing network in the Americas.
- (8) TAIWAN SEMICONDUCTOR EUROPE GMBH. was established in Germany in April 1991. Its main business items are general import and export business.
- (9) TAIWAN SEMICONDUCTOR JAPAN LTD. was established in Japan in April 1992. Its main business line is general import and export business.
- (10) TAIWAN SEMICONDUCTOR (H.K.) CO., LTD. was established in Hong Kong in December 1993. Its main business items are investment in various production businesses and the trading of rectifiers.

- (11) Shanghai Great Technology Trade Co., Ltd. was established in April 1996. The company was approved by the Investment Review Committee on September 20, 1995, and the Second Word No. 09500299110, and was reviewed on October 19, 1995. The Second Letter No. 09500344230 approved EVER WINNER INT'L CO., LTD. to invest and set up in Shanghai, China, mainly for the trading of rectifiers.
- (12) TSC Auto ID Technology Co., Ltd. was established in March 1996 as a division and transfer of barcode printers and other businesses. In cooperation with the segmented barcode printer business, the company reinvested and established TSC Printer Europe GmbH (TSCP) in Europe in April 1996. Its main business line is the trading of barcode printers. In response to the operational needs of TSC Auto ID Technology, the company sold the entire equity of TSCP to TSC Auto ID Technology in November 1996. Renamed to TSC Auto ID Technology EMEA GmbH (TSCAE) on November 26, 1998
- (13) TSC Auto ID Technology America, Inc. is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. is a reinvested subsidiary established in the United States. Its main business item is the sale of barcode printers and their parts.
- (14) TSC Auto ID (HK) Ltd. is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. reinvested and established a subsidiary in Hong Kong. Its main business items are investment in various production businesses and general import and export business.
- (15) Tianjin TSC Auto ID Technology Ltd. is a reinvested subsidiary of the company → TSC Auto ID Technology Co., Ltd. reinvested through its Hong Kong subsidiary TSC Auto ID (HK) Ltd. , The main business items are the production and sales of barcode printers and their parts in the Mainland China.
- (16) TSC Auto ID Technology ME Ltd. FZE (TSCAD) is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. reinvested in Dubai through its European subsidiary TSC Auto ID Technology EMEA GmbH (TSCAE), mainly The business item is the sale of barcode printers and their parts.
- (17) TSC Auto ID Technology Spain, SL (TSCAS) is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. reinvested in Spain through its European subsidiary TSC Auto ID Technology EMEA GmbH (TSCAE), its main business The item is the sale of barcode printers and their parts.
- (18) Printronix Auto ID Technology Ltd. (Printronix Auto ID Technology Ltd.) is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. was established as a subsidiary of the Republic of China on December 14, 2004. The main business items are Sales of barcode printers and their parts.
- (19) Shenzhen Printronix Auto ID Technology Co., Ltd. is a reinvested subsidiary of the company → TSC Auto ID Technology Co., Ltd. reinvested through its Hong Kong subsidiary TSC Auto ID (HK) Ltd., on January 15, 2015 Established in China, the main business item is the sale of barcode printers and their parts in the mainland.

- (20) Printronix Auto ID Technology Inc. (PTNX US) is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. and its subsidiary TSC Auto ID Technology America, Inc. reinvested in the United States jointly invested. The main business items are Sales of barcode printers and their parts. As a result of the restructuring of the Group, 5% of the shares were transferred to TSCAA on July 1, 2022. TSCAA has consolidated and absorbed the shares of PTNX US on July 1, 2022.
- (21) Diversified Labeling Solutions Inc. (DLS) is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. reinvested and established a subsidiary in the United States. The main business items are printer consumables and the customization of various label papers. Design, integration, production and marketing.
- (22) Precision Press & Label, Inc. (PPL) is the company's reinvested subsidiary → TSC Auto ID Technology Co., Ltd. re-invested through its US subsidiary Diversified Labeling Solutions Inc. (DLS), the main business items are Sales of various label papers and consumables for printers.
- (23) TSC Auto ID Technology India Private Ltd. is a subsidiary reinvested by the company → TSC Auto ID Technology Co., Ltd. reinvested and established in India. The main business item is the sales of barcode printers and its components.

2、The name, date of establishment, address, paid-in capital and main business items of each affiliated company

Unit : NTD'000; December 31, 2022

| Company Name   | Date of establishment | Address  | Paid-in capital (Note 3) | Main business items or production items  |
|--|-----------------------|--|--------------------------|--|
| EVER ENERGETIC INT'L LTD. (Changxing International Co., Ltd.)    | 1995.12               | P.O.BOX 71, CRAIGMUIR CHAMERS, ROAD TOWN, TORTOLA,B.V.I.                           | USD 21,175               | Investment business for various production businesses and general import and export business |
| EVER WINNER INT'L CO., LTD. (Changsheng International Co., Ltd.) | 1995.09               | C/O SIMMONDS BUILDING P.O.BOX 961, ROAD TOWN, TORTOLA,B.V.I.                       | USD 16,010               | Investment business for various production businesses and general import and export business |
| SKYRISE INT'L LTD.   | 1997.08               | C/O SIMMONDS BUILDING P.O.BOX 961, ROAD TOWN, TORTOLA,B.V.I.                       | USD 50                   | Investment business for various production businesses and general import and export business |
| Yangxin Everwell Electronics Co., Ltd.                           | 1995.12               | No. 251807, River Town, Yangxin County, Shandong Province, China                   | RMB 362,259              | Rectifier manufacturing and trading business   |
| Tianjin Everwell Technology Co., Ltd.                            | 1996.09               | No. 165, Huanghai Road, Tianjin Economic and Technological Development Zone, China | RMB 107,970              | Chip manufacturing and trading business  |
| TSC AMERICA, INC.  | 1996.06               | 3040 Saturn Street, Suite 200, Brea, CA 92821, USA                                 | USD 90                   | Rectifier trading business   |
| TAIWAN SEMICONDUCTOR EUROPE GMBH                                 | 2002.04               | GEORG-WIMMER-RING 8B D-85604 ZORNEDING, GERMANY                                    | EUR 300                  | General import and export business   |
| TAIWAN SEMICONDUCTOR JAPAN LTD.                                  | 2003.04               | Yuasa Bldg, 3F, 2-13-10, Hongo Bunkyo-Ku, Tokyo 113-0033, Japan                    | JPY 75,000               | Rectifier trading business   |

| Company Name                                     | Date of establishment | Address  | Paid-in capital (Note 3) | Main business items or production items  |
|--|-----------------------|--|--------------------------|--|
| TAIWAN SEMICONDUCTOR(H.K.) CO., LTD.             | 2004.12.              | 5/F., Meeco Industrial Building, 53 – 55, Au Pui Wan Street, Fotan, Shatin, New Territories, Hong Kong (53-55 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong Mei Gao Industrial Building 5th Floor) | HKD 266,424              | Investment in various production businesses and trading of rectifiers              |
| Shanghai Great Technology Trade Co., Ltd.        | 2007.04               | Room 2909, No. 228 Meiyuan Road, Jing'an District, Shanghai  | RMB 1,021 (USD 135)      | Rectifier trading business   |
| TSC Auto ID Technology Co., Ltd.                 | 2007.03               | No. 35, Section 2, Ligong 1st Road, Chengxing Village, Wujie Township, Yilan County  | NT\$ 425,129             | Manufacturing and trading of barcode printers                                      |
| TSC Auto ID (HK) Ltd.                            | 2008.02               | 7/F, Chuang's Enterprises Building, 382 Lockhart Road, Wanchai, Hong Kong  | USD 1,654                | Investment in various production businesses and general import and export business |
| Tianjin TSC Auto ID Technology Ltd.              | 2008.03               | 2nd Floor Workshop,Rongda Building,No.51 the 9th Avenue, Tianjin Economic-Technologic Development Area, Tianjin 300457 China   | RMB 10,500 (USD1,500千元)  | Production and sales of barcode printers and their parts                           |
| TSC Auto ID Technology America, Inc.             | 2008.03               | 3040 Saturn Street, Suite 200, Brea, CA 92821, USA   | USD 1,600                | Sales of barcode printers and their parts  |
| TSC Auto ID Technology ME Ltd. FZE (TSCAD)       | 2011.11               | BUILDING NO.7WA/WEST WING,OFFICE NO.G009 PO BOX NO.293673 DUBAI, UAE   | AED 1,001                | Sales of barcode printers and their parts  |
| TSC Auto ID Technology Spain, S.L.(TSCAS)        | 2011.12               | 08328 Alella (Barcelona), Avenida Ricra Principal Nr. 8.   | EUR 3                    | Sales of barcode printers and their parts  |
| Printronix Auto ID Technology Ltd.               | 2015.12               | 9th Floor, No. 95 Minquan Road, Xindian District, New Taipei City  | NT\$ 5,000               | Sales of barcode printers and their parts  |
| Shenzhen Printronix Auto ID Technology Co., Ltd. | 2016.01               | New World Business Center, 6009 Yitian Road, Fubao Street, Futian District, Shenzhen   | RMB 1,000                | Sales of barcode printers and their parts  |
| Printronix Auto ID Technology Inc. (PTNX US)     | 2016.01               | 3040 Saturn Street, Suite 200, Brea, CA 92821, USA   | USD 1                    | Sales of barcode printers and their parts  |

| Company Name                              | Date of establishment | Address  | Paid-in capital (Note 3) | Main business items or production items  |
|---|-----------------------|--|--------------------------|--|
| Diversified Labeling Solutions Inc.       | 2019.02               | 1285 Hamilton Pkwy, Itasca, IL 60143   | USD 0.1                  | Customized design, integration, production and sales of printer consumables and various label papers |
| Precision Press & Label, Inc.             | 2019.05               | 900 N. GREAT SOUTHWEST PARKWAY SUITE 100 ARLINGTON, TX 76011                   | USD 850                  | Sales of various label papers and consumables for printers   |
| TSC Auto ID Technology India Private Ltd. | 2021.05               | B-108, DAMJI SHAMJI CORPORATE SQUARE, LAXMI NAGAR, GHATKOPAR (E) MUMBAI-400075 | USD 100                  | Sales of barcode printers and their parts  |

Note 1: All related companies, regardless of size, should be disclosed.

Note 2: If each affiliated company has a factory, and the sales value of the factory's products exceeds 10% of the operating income of the controlling company, the factory name, date of establishment, address and the main production items of the factory should be added.

Note 3: If the affiliated company is a foreign company, the name and address of the company may be expressed in English, and the date of establishment may also be expressed in AD dates, and the amount of paid-in capital may not be included. Currency, but the exchange rate on the statement date should be added).

Note 4: Exchange rate on the reporting date: USD/NTD : 30.71 RMB/NTD : 4.408 EUR/NTD : 32.72 JPY/NTD : 0.2324 HKD/NTD : 3.938.

3. Information of the same shareholder who is presumed to have control and affiliation: no such incident.

4. Industries covered by the business of the overall relationship enterprise:

The main business items of the company's overall affiliated companies are the manufacture and sale of rectifiers and barcode printers. The rectifier products utilize the characteristics of unidirectional conductivity.

Converting input AC power to DC power output has a wide range of applications, covering consumer electronics, machinery and industrial equipment, information and communication products, automobiles, defense industry products, and medical equipment.

Since its establishment, the company has been committed to the development, manufacturing and sales of rectifiers. In addition, in view of the changes in the domestic industrial environment, the principle of division of production and sales between the two sides of the strait has been applied.

To invest and set up factories in mainland China, which has more production advantages, it was originally through the third region-EVER ENERGETIC INT'L LTD. and EVER WINNER INT'L CO., LTD.

Established Yangxin Everwell Electronics Co., Ltd. and Tianjin Everwell Technology Co., Ltd. To comply with laws and regulations and integrate the organization structure of overseas investment, the company was approved by the Investment Review Committee of the Ministry of Economic Affairs and changed the company in December 1996. The investment structure of the reinvested business was changed from the original 100% indirect reinvestment of the equity of Yangxin Everwell Electronics Co., Ltd. and Tianjin Everwell Technology Co., Ltd. in Mainland China through Ever Energetic and Ever Winner to the company and Ever Energetic Together with Ever Winner, 100% indirect reinvestment through TSCH. And in a gradual manner, the manufacturing focus will be shifted to the mainland factory for production, and then transferred to Taiwan Semiconductor (Stock) Corporation and other branches and subsidiaries to sell products.

For bar code printer products, please refer to the 2022 annual report of TSC Auto ID Technology Co., Ltd., a subsidiary of our company.

5、Information on directors, supervisors and presidents of related companies (2022.12.31)

| Company name                | Title                 | Name or representative   | Holding shares (Note 2, Note 3)                            |   |
|-----------------------------|-----------------------|--|--|---|
|                             |                       |  | Number of shares or capital contribution (thousand dollar) | Holding ratio or capital contribution ratio |
| EVER ENERGETIC INT'L LTD.   | Chairman of the board | Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Ting | 21,175,000 shares  | 100%  |
| EVER WINNER INT'L CO., LTD. | Chairman of the board | Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Ting | 16,010,000 shares  | 100%  |
| SKYRISE INT'L LTD.          | Chairman of the       | Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Ting | 50,000 shares  | 100%  |

| Company name                           | Title                 | Name or representative   | Holding shares (Note 2, Note 3)                            |   |
|--|-----------------------|--|--|---|
|  |                       |  | Number of shares or capital contribution (thousand dollar) | Holding ratio or capital contribution ratio |
|  | board                 |  |  |   |
| Yangxin Everwell Electronics Co., Ltd. | Chairman of the board | Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Ting     | RMB 362,259  | 100%  |
|  | Director              | Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Fon      |  |   |
|  | Director              | Representative of Taiwan Semiconductor Co., Ltd.: Yan Guo Yin        |  |   |
| Tianjin Everwell Technology Co., Ltd.  | Chairman of the board | Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Ting     | RMB 107,970  | 100%  |
|  | Director              | Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Fon      |  |   |
|  | Director              | Representative of Taiwan Semiconductor Co., Ltd.: Yan Guo Yin        |  |   |
|  | Supervisor            | Representative of Taiwan Semiconductor Co., Ltd.: Wang Xing Lei      |  |   |
| TSC AMERICA, INC.                      | Chairman of the board | Representative of Taiwan Semiconductor (Stock) Company: Adam Cheng   | 9,000,000 shares   | 100%  |
| TAIWAN SEMICONDUCTOR.JAPAN LTD.        | Director              | Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Ting     | 1,500 shares   | 100%  |
|  | Director              | Representative of Taiwan Semiconductor (Stock) Company: Liu Mei Feng |  |   |
|  | Supervisor            | Representative of Taiwan Semiconductor Co., Ltd.: Adam Cheng         |  |   |
| TAIWAN SEMICONDUCTOR(H.K.) CO., LTD.   | Director              | Representative of Taiwan Semiconductor (Stock) Company: Adam Cheng   | 2,664,238 shares   | 100%  |

| Company name                              | Title                 | Name or representative   | Holding shares (Note 2, Note 3)                            |   |
|---|-----------------------|--|--|---|
|   |                       |  | Number of shares or capital contribution (thousand dollar) | Holding ratio or capital contribution ratio |
| Shanghai Great Technology Trade Co., Ltd. | Chairman of the board | Representative of Taiwan Semiconductor Co., Ltd.: Wang Shiu Fon    | RMB 1,021<br>(USD 135)                                     | 100%  |
|   | Supervisor            | Representative of Taiwan Semiconductor (Stock) Company: Adam Cheng |  |   |
| TAIWAN SEMICONDUCTOR EUROPE GMBH          | Director              | Representative of Taiwan Semiconductor Co., Ltd.: Sloup Ladislav   | EUR 300  | 100%  |
|   | Director              | Representative of Taiwan Semiconductor Co., Ltd.: Wang Xing Lei    |  |   |
|   | Director              | Representative of Taiwan Semiconductor Co., Ltd.: Ralf Welter      |  |   |
| TSC Auto ID Technology Co., Ltd.          | Chairman of the board | Wang Xing Lei  | 15,453,177shares   | 36.35%                                      |
|   | Director              | Wang Shiu Ting   |  |   |
|   | Director              | Representative of Taiwan Semiconductor Co., Ltd.: Luo Yuegui       |  |   |
|   | Director              | Chen Mingyi  |  |   |
|   | Independent director  | Ma Jiaying   |  |   |
|   | Independent director  | Li Junqi   |  |   |
|   | Independent director  | Lin Tuozhi   |  |   |
| TSC Auto ID Technology EMEA GmbH(TSCAE)   | Director              | Representative of TSC Auto ID Technology Co., Ltd.: Sloup Ladislav | EUR 101  | 36.35%                                      |
|   | Director              | Representative of TSC Auto ID Technology Co., Ltd.: Wang Xing Lei  |  |   |

| Company name                               | Title                 | Name or representative  | Holding shares (Note 2, Note 3)                            |   |
|--|-----------------------|---|--|---|
|  |                       |   | Number of shares or capital contribution (thousand dollar) | Holding ratio or capital contribution ratio |
|  | Director              | Representative of TSC Auto ID Technology Co., Ltd.: Amine Soubai        |  |   |
| TSC Auto ID (HK) Ltd.                      | Chairman of the board | Representative of TSC Auto ID Technology Co., Ltd.: Wang Xing Lei       | USD 1,654  | 36.35%                                      |
| Tianjin TSC Auto ID Technology Ltd.        | Chairman of the board | Representative of TSC Auto ID Technology Co.                            | RMB 10,500 (USD1,500 thousand)                             | 36.35%                                      |
|  | Director              | Representative of TSC Auto ID Technology Co.                            |  |   |
|  | Director              | Representative of TSC Auto ID Technology Co.: Chen Ming Yi              |  |   |
|  | Supervisor            | Representative of TSC Auto ID Technology Co.                            |  |   |
| TSC Auto ID Technology America, Inc.       | Chairman of the board | Representative of TSC Auto ID Technology Co.                            | USD 1,600  | 36.35%                                      |
| TSC Auto ID Technology ME Ltd. FZE (TSCAD) | Representative        | TSC Auto ID Technology EMEA GmbH(TSCAE) Representative : Sloup Ladislav | AED 1,001  | 36.35%                                      |
| TSC Auto ID Technology Spain, S.L.(TSCAS)  | Representative        | TSC Auto ID Technology EMEA GmbH(TSCAE) Representative : Sloup Ladislav | EUR 3  | 36.35%                                      |
| Printronic Auto ID Technology Ltd.         | Chairman of the board | Representative of TSC Auto ID Technology Co., Ltd.: Wang Shiu Ting      | NT\$ 5,000   | 36.35%                                      |
|  | Director              | Representative of TSC Auto ID Technology Co., Ltd.: Wang Xing Lei       |  |   |
|  | Director              | Representative of TSC Auto ID Technology                                |  |   |

| Company name                                     | Title                 | Name or representative  | Holding shares (Note 2, Note 3)                            |   |
|--|-----------------------|---|--|---|
|  |                       |   | Number of shares or capital contribution (thousand dollar) | Holding ratio or capital contribution ratio |
|  |                       | Co., Ltd.: Huang Zhen Fang  |  |   |
|  | Supervisor            | Representative of TSC Auto ID Technology Co., Ltd.: Chen Ming Yi        |  |   |
| Shenzhen Printronix Auto ID Technology Co., Ltd. | Chairman of the board | Representative of TSC Auto ID Technology Co., Ltd.: Wang Shiu Ting      | RMB 1,000  | 36.35%                                      |
|  | Director              | Representative of TSC Auto ID Technology Co., Ltd.: Wang Xing Lei       |  |   |
|  | Director              | Representative of TSC Auto ID Technology Co., Ltd.: Chen Ming Yi        |  |   |
|  | Supervisor            | Representative of TSC Auto ID Technology Co., Ltd.: Zheng Yicheng       |  |   |
| Diversified Labeling Solutions Inc.              | Chairman of the board | Representative of TSC Auto ID Technology Co., Ltd.: Wang Xing Lei       | USD 0.1  | 36.35%                                      |
| Precision Press & Label, Inc.                    | Chairman of the board | Diversified Labeling Solutions Inc. Representative: Wang Xing Lei       | USD 850  | 36.35%                                      |
| TSC Auto ID Technology India Private Ltd.        | Chairman of the board | TSC Auto ID Technology India Private Ltd. Representative: Wang Xing Lei | USD 100  | 36.35%                                      |

Note 1: If the affiliated company is a foreign company, the position equivalent is listed.

Note 2: If the invested company is a company limited by shares, please fill in the number of shares and shareholding ratio; otherwise, please fill in the capital contribution amount and capital contribution ratio and indicate it.

Note 3: When the directors and supervisors are legal persons, the relevant information of the representatives shall be disclosed.

6. Consolidated financial statements of related companies

Please refer to item 4 of the previous "Lu and Financial Overview" (consolidated financial report for the accountant's verification visa for the year 2022).

7. Relationship report: None.

2. In the most recent year and as of the printing date of the annual report, the status of private equity securities handling: None

3. In the most recent year and as of the publication date of the annual report, the status of subsidiaries holding or disposing of the company's stocks:

The most recent year and as of the printing of the annual report  
Subsidiary holding or disposing of the company's stock

Unit : NTD\$'000 ; Share ; %

| Subsidiary name (Note 1)        | Paid-in capital | Sources of funds               | The company's shareholding ratio | Date of acquisition or punishment                 | Number and amount of shares acquired (Note 2) | Disposal of shares and amount (Note 2) | Investment gains and losses  | Number and amount of shares held as of the publication date of the annual report (Note 3) | Setting the pledge situation | The company endorses the guarantee amount for the subsidiary | Amount of loan from the company to subsidiary |
|---------------------------------|-----------------|--------------------------------|----------------------------------|---|---|--|------------------------------|---|------------------------------|--|---|
| TSC Auto ID Technology Co. Ltd. | 425,129         | 769 self-owned working capital | 36.35%                           | From June 2013 to October 2013 (No claim in 2013) | 5,700,000 shares;<br>NT\$ 127,755 thousand    | 0                                      | Listed under treasury shares | 5,700,000 shares;<br>NT\$ 127,755 thousand  | No pledge setting            | NTD 0; no endorsement guarantee                              | NTD0; no capital loan                         |
|                                 |                 |                                |                                  | From January 2015 to February 2015                | 2,000,000 shares;<br>NT\$ 66,534 thousand     | 0                                      | Listed under treasury shares | 7,700,000 shares;<br>NT\$ 194,289 thousand  | No pledge setting            | NTD 0; no endorsement guarantee                              | NTD0; no capital loan                         |
|                                 |                 |                                |                                  | From May 2016 to June 2016                        | 2,000,000 shares;<br>NT\$ 75,438 thousand     | 0                                      | Listed under treasury shares | 9,700,000 shares;<br>NT\$ 269,727 thousand  | No pledge setting            | NTD 0; no endorsement guarantee                              | NTD0; no capital loan                         |
|                                 |                 |                                |                                  | From August 2017 to September 2017                | 1,790,000 shares;<br>NT\$ 74,833 thousand     | 0                                      | Listed under treasury shares | 11,490,000 shares;<br>NT\$ 344,560 thousand   | No pledge setting            | NTD 0; no endorsement guarantee                              | NTD0; no capital loan                         |
|                                 |                 |                                |                                  | From April 13, 2020 to April 30, 2020             | 2,110,000 shares;<br>NT\$ 76,949 thousand     | 0                                      | Listed under treasury shares | 13,600,000 shares;<br>NT\$ 421,509 thousand   | No pledge setting            | NTD 0; no endorsement guarantee                              | NTD0; no capital loan                         |
|                                 |                 |                                |                                  | From March 1, 2022 to March 7, 2022               | 1,200,000 shares;<br>NT\$ 84,535 thousand     | 0                                      | Listed under treasury shares | 14,800,000 shares;<br>NT\$ 506,044 thousand   | No pledge setting            | NTD 0; no endorsement guarantee                              | NTD0; no capital loan                         |

|  |  |  |  |   |   |   |                              |   |                              |                                 |                       |
|--|--|--|--|---|---|---|------------------------------|---|------------------------------|---------------------------------|-----------------------|
|  |  |  |  | This year ends at the printing date of the annual report (2023.04.23) | 14,800,000 shares;<br>NT\$ 506,044 thousand | 0 | Listed under treasury shares | 14,800,000 shares;<br>NT\$ 506,044 thousand | Note(4)<br>No pledge setting | NTD 0; no endorsement guarantee | NTD0; no capital loan |
|--|--|--|--|---|---|---|------------------------------|---|------------------------------|---------------------------------|-----------------------|

Note 1: Please list separately by subsidiary.

Note 2: The amount referred to refers to the amount actually obtained or disposed of.

Note 3: The holding and disposition situation should be listed separately.

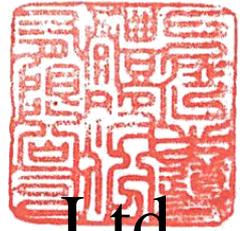
Note 4: Impact on the company's financial performance and financial status:

As of the printing date of the annual report (2023.04.21), TSC Auto ID Technology Co., Ltd. (hereinafter referred to as the company) is based on its own funds NT\$506,044 thousand to acquire 14,800 thousand shares of the company, accounting for 5.62% of the company's shareholding as of the date of publication of the annual report. Under the company's account of treasury stocks, the company manages and maintains sufficient cash and contracts. When cash is used to support the company's operations and reduce the impact of cash flow fluctuations. The company's management supervises the use of bank financing lines and ensures compliance with loan contract terms to manage liquidity risks. Because the company's liquidity is sufficient to meet the due liabilities, there is no risk of failing to deliver cash or other financial assets to pay off financial liabilities and failing to perform related obligations. Therefore, it has little effect on its financial performance and financial status.

4. Other necessary supplementary explanation items: None.

9. In the most recent year and as of the date of publication of the annual report, there have been matters that have a significant impact on shareholders' equity or securities prices in the second paragraph of Article 36, Paragraph 3 of the Securities and Exchange Act: None.

Taiwan Semiconductor Co., Ltd.



Chairman Wang Shiu Ting

